

Agenda

City Council Extended Study Session

MONDAY
June 28, 2004

6:00 – 10:00 p.m.
Council Conference Room
Page

1. Executive Session

(a) Pending litigation (*approximately 45 minutes*)

2. Communications: Written and Oral

Note: Three-minute limit per person, or five minutes if representing the official position of a recognized organization. A maximum of three persons is permitted to speak to each side of any one topic.

3. Study Session

(a) King County Library System (KCLS) presentation on the upcoming Capital Replacement Bond on the September 14 ballot

KCLS
Director,
Bill Ptacek

3-1

(b) Commending City Attorney Richard Andrews' years of service (*no packet materials*)

(c) Council new initiatives (*no packet materials*)

(d) Resolution No. 7033 authorizing the City Manager to notify King County that all contingencies have been satisfied for transfer of ownership of property located at 1440- 116th Ave NE to the City of behalf of all King County cities for purposes of contributing financial assistance for future misdemeanor jail capacity for cities pursuant to the terms of the Property Transfer Agreement

CMO
Diane Carlson

3-2

(Council action is requested this evening)

City Council meetings are wheelchair accessible. American Sign language (ASL) interpretation is available upon request. Please phone 452-6805 at least 48 hours in advance.



City of Bellevue

- | | | | |
|-----|--|----------------------------------|--------------|
| (e) | Analysis of the City's insurance requirements for contracts | FIN
Jan Hawn/
Earle Stuard | <u>3-6</u> |
| | <i>(For information and discussion. Staff seeks Council feedback on approach.)</i> | | |
| (f) | 2005 – 2006 Operating Budget and 2005 – 2011 CIP Plan discussions – key drivers and policy issues | FIN/UTIL
Jan Hawn | |
| | (1) Utilities Department presentation | Nav Otal | <u>3-15</u> |
| | (2) 2003 Annual Performance Report | Rich Siegel | <u>3-54</u> |
| | (3) 2005 – 2011 General CIP Plan Early Outlook | Joe Guinasso | <u>3-56</u> |
| (g) | Project update on Transportation pre-design CIP projects | TRAN
Goran
Sparman | <u>3-116</u> |
| | • West Lake Sammamish Parkway | | |
| | • NE 24 th Street | | |
| | • 119 th Avenue SE Pre-design | | |
| | <i>(For information. This item is in follow-up to the presentation on May 10, 2004 Extended Study Session.)</i> | | |
| (h) | Comcast Cable Television Franchise renewal, including disc of BTV budget | TRAN
David Kerr | <u>3-124</u> |
| | <i>(For discussion. Staff seeks Council direction on three franchise policy issues. The current franchise expires July 29, 2004)</i> | | |
| (i) | Regional Issues | CMO
Diane Carlson | <u>3-188</u> |
| | <i>(Packet provided under separate cover)</i> | | |

4. Discussion of upcoming items

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City of Bellevue

WELCOME TO YOUR BELLEVUE CITY COUNCIL MEETING

Most City Council business is conducted in public, and citizens are most welcome to watch and listen.

In order to hold a meeting, a *quorum* of at least four Councilmembers must be present. The Council operates under its own Rules and Procedures, and conducts its meetings according to Robert's Rules of Order.

Councilmembers may add items to the meeting's *agenda* for discussion or action, with a majority vote of those present, at the time when the agenda is approved. Before any agenda item can be acted upon, the Mayor will call for a *motion* to take action on that item. After the motion is *seconded*, the Council discusses the arguments for and against the motion.

Sometimes a Councilmember will propose a different course of action on a subject on the agenda. This is called a *substitute motion* and also requires a second. After discussion, the substitute motion is voted upon first. If a majority of the Councilmembers vote for the substitute motion, it passes and the matter is completed. If the substitute motion fails to obtain a majority, the Council returns to the original motion and continues to discuss and vote on it.

Other times, a Councilmember may wish to change a pending motion in some way. This is called an *amendment*. It also requires a second and is voted upon before a vote is taken on the main motion. If the amendment passes, the main motion is then voted upon "as amended". If the amendment does not receive a second or a majority vote, the main motion, as originally proposed, is voted upon.

The *Consent Calendar* portion of the agenda allows the Council to act on several items of business with one motion and vote. Items on the Consent Calendar are usually recurring "housekeeping" matters, legislation that follows-up decisions from previous meetings, and other issues for which no debate or dissenting votes are expected.

When necessary, the Council may recess to an *executive session*. During these closed sessions, the Councilmembers are limited, by law, to discussing only such items as personnel issues, property acquisition and disposition, and quasi-judicial matters*; or to receiving advice from legal counsel on pending or potential litigation. The Mayor or Deputy Mayor will announce both the reason for any executive session and the anticipated time when the Council will return.

* "Quasi-judicial" matters are those in which the Councilmembers sit as "judges" to decide issues involving specifically-identified property or other rights between individuals or parties. This is as opposed to the Council's usual role of acting in a legislative or policy-making capacity.



MEMO

To: Members of the Bellevue City Council
From: Bill Ptacek, Director, King County Library System
RE: Library Election September 14, 2004

June 28, 2004

The King County Library System is looking forward to the opportunity to talk to you about our upcoming Capital Replacement Bond on the September 14 ballot. We feel it is important to inform the City Councils of the areas we serve about this important library issue well in advance of the election.

Library Election September 14, 2004

King County Library System engaged in an extensive outreach project in 2002/2003 to identify the priority needs for each community we serve and developed a plan to meet those needs over the next decade. We heard directly from more than 2,600 community members through public meetings at every library and via e-mail, telephone and online survey.

We learned a lot about what your community values and the important role the library plays in the lives of children, youth, adults and seniors. You told us that libraries make lifelong learning available to everyone and provide essential educational resources to help children succeed. You told us that quality facilities, expanded collections and excellent access to services are important to you. You told us that meeting the growing needs of our patrons, the public and the communities the library serves is important, and you want us to continue to maintain the high-quality facilities and services currently enjoyed. You rely on the library as a key resource.

We weren't surprised, since the system itself was created by our community in 1942 and has enjoyed consistent support of the voters since that time. Based on this information, and the upcoming expiration of the capital funds provided through the 1988 bond, the Library Board voted unanimously to place a \$172 million bond measure on the September 14, 2004 ballot to **replace the expiring measure** and ensure the Library System has the resources needed to continue to meet the needs and expectations of a supportive community over the **next ten years**.

The \$172 million capital replacement bond will cost each household less than the bond it will replace—an average of \$25* per year or the cost of one book.

To find out what is planned for your library, visit www.kcls.org, call 425.369.FACT or 425.369.3275 or inquire with local library staff.

*Based on eight cents per \$1,000 assessed valuation for a \$300,000 home.

SUBJECT:

Resolution No. 7033, authorizing the City Manager or his designee to notify King County in writing that all contingencies have been satisfied for the transfer of ownership of property located at 1440-116th Avenue N.E. in Bellevue, to the City on behalf of all King County cities for the purposes of contributing financial assistance for future misdemeanor capacity for cities, pursuant to the terms of the Property Transfer Agreement, Clerk's Receiving No. 33014.

FISCAL IMPACT:

There is no anticipated fiscal impact to the City of this action. The Jail Interlocal Group (JAG) Agreement between all King County cities, allows the City to recover expenses necessary in order to take possession of the property, maintain it and sell it, up to a maximum of 5% of the fair market value without city approval. Any requests for reimbursement above 5% would require approval of the Jail Assembly. The transfer of the property and subsequent use of the proceeds from the sale of the property at some future date will provide financial assistance for all King County cities for the purposes of providing future misdemeanor jail capacity.

STAFF CONTACT(S):

Diane Carlson, CMO, 452-4225; Lori Riordan, City Attorney's Office, 452-7220

POLICY CONSIDERATION

Should the City Manager or his designee provide notice to King County that the contingencies have been satisfied for the transfer of property located at 1440-116th Avenue N.E. in Bellevue?

BACKGROUND

In October 2002, Council approved Resolution No. 6757 authorizing the City Manager to execute a property transfer agreement with King County for the transfer of ownership of property located at 1440-116th Avenue N.E. to the City of Bellevue on behalf of all King County cities for the purposes of contributing financial assistant for future misdemeanor capacity for cities. The Property Transfer Agreement, Clerk's Receiving No. 33014, requires transfer of ownership by July 1, 2004. Conveyance of the Property is contingent on two items controlled by Bellevue. First, the City must be satisfied with the results of property inspections; second, the City has the option to terminate the transfer agreement if satisfactory resolution of an interlocal agreement governing the management and disposition of the property is not reached with interested King County cities.

In late April, the City of Bellevue contracted with the firm of Shannon and Wilson, Inc. to perform geotechnical and environmental analysis of the property as part of the normal due diligence process. The Phase I site assessment suggested a potential for contamination from several locations, including the PSE substation, the railroad behind the property, and the industrial use to the east. Based on these findings, a Phase II assessment was undertaken. The Phase II analysis did not show significant environmental contamination, but confirmed the presence of fill (some 6-12 feet deep) that could be contaminated. The analysis was not conclusive as it was based on test probes. City staff requested review of the analysis by outside counsel, who recommended that the City have all of the potentially contaminated area evaluated by excavating test pits. This final work was completed on June 15, 2004. The results showed fill at depths ranging from 0 to 10 feet consisting of gravelly, cobbly, sandy material with some asphalt, concrete, PVC piping, plastic, wood and brick pieces, and filter fabric. None of the fill samples had concentrations of petroleum hydrocarbons or metals above the MTCA Method A cleanup level.

The findings would not require expenditure of funds by the City of Bellevue or the other cities for remediation. The findings do indicate a potential for reduction in the value of the property at the time of sale depending on the type of development.

The second contingency, resolution of an interlocal agreement governing the management and disposition of the property with interested King County cities has also been satisfied. The Bellevue Council approved the interlocal agreement, called the Jail Administration Group (JAG) agreement, on February 17, 2004. A total of 16 cities have approved the JAG agreement thus far, with Seattle Council discussion and action on the agreement scheduled for July 19, 2004. With Seattle's approval, the 50% population threshold will have been reached to allow the Jail Assembly to convene and make decisions.

Based on the information outlined above, staff recommends proceeding with the transfer of ownership of the property.

EFFECTIVE DATE

If adopted, this Resolution will become effective immediately.

OPTIONS

1. Approve Resolution 7033 authorizing the City Manager or his designee to notify King County in writing that all contingencies have been satisfied for the transfer of ownership of property located at 1440-116th Avenue N.E. in Bellevue, to the City on behalf of all King County cities for the purposes of contributing financial assistance for future misdemeanor capacity for cities, pursuant to the terms of the Property Transfer Agreement, Clerk's Receiving No. 33014.
2. Do not approve Resolution 7033 and provide alternative direction to staff.

RECOMMENDATION

Option 1, approve Resolution 7033 authorizing the City Manager or his designee to notify King County in writing that all contingencies have been satisfied for the transfer of ownership of property located at 1440-116th Avenue N.E. in Bellevue, to the City on behalf of all King County cities for the purposes of contributing financial assistance for future misdemeanor capacity for cities, pursuant to the terms of the Property Transfer Agreement, Clerk's Receiving No. 33014.

MOTION

Move to adopt Resolution 7033 authorizing the City Manager or his designee to notify King County in writing that all contingencies have been satisfied for the transfer of ownership of property located at 1440-116th Avenue N.E. in Bellevue, to the City on behalf of all King County cities for the purposes of contributing financial assistance for future misdemeanor capacity for cities, pursuant to the terms of the Property Transfer Agreement, Clerk's Receiving No. 33014.

ATTACHMENT

Proposed Resolution No. 7033
Legal description of Property

AVAILABLE IN COUNCIL OFFICE

Property Transfer Agreement between the City of Bellevue and King County.

EXHIBIT A
Legal Descriptions

Parcel A: Lots 3 and 4 of Bellevue Short Plat No. 78-43 as recorded under Recording No. 7807030722, records of King County, Washington; EXCEPT the South 10 feet thereof.

Parcel B-1: That portion of the South 267.6 feet of the North 634.7 feet of the NW 1/4 of the SW 1/4 of Section 28, Township 25 North, Range 5 East, W.M., in King County, Washington, lying Westerly of the Northern Pacific Railway Right-of-Way; EXCEPT the North 242 feet of the West 450 feet thereof; AND EXCEPT the West 30 feet thereof for 116th Avenue NE; AND EXCEPT the South 26.6 feet of the West 250 feet thereof.

Parcel B-2: An easement for access for the benefit of Parcel B-1 as granted and set forth in document recorded under Recording No. 7908020842, records of King County, Washington.

Parcel C: The South 10 feet of the North 367.10 feet, measured along the Westerly line thereof, of that portion of the Northwest quarter of the Southwest quarter of Section 28, Township 25 North, Range 5 East, W.M., lying Westerly of the right of way of Burlington Northern, Inc., successor to Northern Pacific railway Company, Except the West 450 feet thereof.

All situated in King County, Washington.

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 7033

A RESOLUTION authorizing the City Manager or his designee to notify King County in writing that all contingencies have been satisfied for the transfer of ownership of property located at 1440-116th Avenue N.E. in Bellevue, to the City on behalf of all King County cities for the purposes of contributing financial assistance for future misdemeanor capacity for cities, pursuant to the terms of the Property Transfer Agreement, Clerk's Receiving No. 33014.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES
RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to notify King County in writing that all contingencies have been satisfied for the transfer of ownership of property located at 1440-116th Ave. N.E. in Bellevue, to the City on behalf of all King County cities for the purposes of contributing financial assistance for future misdemeanor capacity for cities, pursuant to the terms of the Property Transfer Agreement, Clerk's Receiving No. 33014.

Passed by the City Council this _____ day of _____, 2004,
and signed in authentication of its passage this _____ day of _____,
2004.

(SEAL)

Connie B. Marshall, Mayor

Attest:

Myrna L. Basich, City Clerk

CITY COUNCIL STUDY SESSION ITEM**SUBJECT**

Analysis of the City's insurance requirements for contracts

STAFF CONTACT

Jan Hawn, Finance Director, 452-6846
Earle Stuard, Assistant Finance Director, 452-6894

POLICY ISSUES

In awarding contracts to perform work for the City of Bellevue:

1. Do the City's standard insurance requirements for contracts adequately protect the City while at the same time allowing qualified firms to compete for City business?
2. How should the City deal with special cases where insurance requirements may need to be waived or expanded?

BACKGROUND/ANALYSIS

In 2002, the City Manager's Office launched a review of citywide contracting policies. As part of that review, the City Council requested a review of the insurance requirements for contracts (including public works, professional services, and other contract types). Council and staff had received anecdotal feedback that in some cases, it was thought the requirements were set too high and eliminated companies from participating in the competitive processes. In other cases, it was thought the requirements were set too low, leaving the City unprotected from potential loss.

B.C.C. 4.28.160 (D) provides: "Insurance. Contracts for public works and improvements shall contain such requirements for the provision of insurance by the contractor as are determined by the City Risk Manager." For many years, the City's standard insurance requirement for contracts has been \$1 million per occurrence for bodily injury, personal injury, and property damage. With more complex projects, increased project costs and complicated risk exposures, insurance requirements have become more variable and the "standard" insurance requirement has become less of a norm.

In response to the request from Council to review insurance requirements, staff undertook an internal review of our current standards, including a comparison with standards in other Washington cities. This review looked at insurance limits for the cities of Bellingham, Kirkland, Longview, Redmond, Richland, Spokane, and University Place. That data indicated that standards varied widely among other cities and did not speak definitively to whether they adequately protect the City or are excessive in some areas.

In order to obtain additional, objective feedback regarding the level and type of insurance required for contracts, the City retained the firm of ARM Tech to undertake an additional assessment. ARM Tech is a risk management, actuarial and insurance consulting firm founded in 1982. Their clients include King County, Washington, the State of South Dakota, the City of Boise, Idaho and the City of Santa Cruz, California. Michael Kaddatz, Managing Director, has more than 25 years of risk management consulting experience, specializing in the public sector.

As part of their contract, ARM Tech has reviewed several existing contracts, the City's contracting insurance requirements, and consulted with other public agencies in Washington State to determine common and ordinary insurance requirements. In addition, they have interviewed key staff from both operating and support departments.

ARM Tech reached some preliminary conclusions as a result of their initial work. A letter summarizing their findings can be found in Attachment 2. A full report will follow as soon as ARM Tech has completed their work. Staff will summarize their preliminary findings during the Study Session on June 28, 2004, so that Council can provide feedback and identify other issues or concerns that they have with regard to the City's insurance requirements. ARM Tech staff will also be present to answer questions.

These findings include:

- The actual levels and types of insurance that the City should require depend on the City's risk tolerance and how it chooses to balance risk against other business considerations.
- The current level of insurance required by the City for standard contracts is generally in line with that of similar organizations.
- Based on the City's contracting activity and claims history, the current level of insurance appear to be practical and prudent.
- Levels required in some specific areas (particularly related to pollution liability risks) appear to be higher than the norm. Whether the City should reduce these requirements depends on the City's tolerance for risk.
- The City should update and streamline standard insurance requirements. Proposed language changes to the City's standard insurance requirements are provided as Attachment 3.
- To help streamline the contracts approval process, the City should develop detailed written guidelines to assist departments in understanding how and when to apply the standard insurance requirements and should consider delegating some of the risk review functions.

ARM Tech's initial findings represent early feedback. Additional analysis and recommendations will be provided. However, staff felt the initial findings were important enough to be presented now, so that Council can ask questions and identify additional issues that they would like addressed as part of the insurance study.

NEXT STEPS

Staff is continuing to work with ARM Tech to review these findings and determine how to address them.

In addition, staff is working with ARM Tech to develop a process for special circumstances where different amounts and/or types of insurance coverage might be appropriate.

Staff request that the Council provide feedback with regard to the preliminary findings, as well as identify other issues or concerns that they have with regard to the City's standard insurance requirements for contracts.

ATTACHMENTS

Attachment 1 – Guiding Principles for contracting

Attachment 2 – ARM Tech letter dated June 23, 2004

Attachment 3 – Proposed changes to standard insurance requirements (Standard Contract, "Attachment B")

Guiding Principles

The following Guiding Principles were endorsed by the Bellevue City Council on October 14, 2002 and should govern all decisions with regard to the selection and management of contracts by the City:

The process of selecting and maintaining contracts should be subject to the highest ethical standards and embody the value of stewardship of the public's money by ensuring that contracts provide the greatest attainable levels of both quality and value.

Ethics – The City of Bellevue shall adhere to the Code of Ethics established by the National Institute of Governmental Purchasing and to the City Code of Ethics in its purchasing and contracting practices.

Conformity with all applicable laws – All policies developed by the City and all contracting activity should be consistent with federal and state law and City codes.

Open and accessible, transparent, and competitive process – The selection process for contracts and vendor lists should be:

- *Open* – readily accessible to all qualified applicants
- *Transparent* – selection is made based upon clear, relevant, and objective criteria established in advance and clear to all participants and observers
- *Competitive* – the vendor who provides the best and most appropriate balance of value, quality, and other relevant criteria will be selected.

Qualified firms only – Firms selected should be fully capable and qualified to fulfill the terms of their contract as determined through appropriate research and review.

Cost competitive – Prior to entering into a new contract or to renewing or extending an existing contract, the City will “test the market” to ensure that costs are reasonable and competitive.

Specified time-frame – Contracts should be of a specified term or time-frame, as appropriate to the type and scope of the contract. The City will conduct a review of contracting need, contractor performance and cost prior to extending or renewing an existing contract.

Clear and rigorous standards – Contracts should be drafted with clear and rigorous standards regarding timing, cost and quality of services and will provide the City with the ability to enforce these terms.

Protecting the City – The contracting process and documents will be designed and managed so as to avoid undue exposure to liability and other risks.

Exceptions allowed – Under some circumstances, exceptions to the contracting policies may make good business sense and be in the best interests of the City. These might include emergencies, occasions where only one qualified provider exists, or occasions where consistency over time is advantageous for the City.

Oversight – Mechanisms for contract management and oversight shall be maintained and shall assure adherence to these guiding principles.



June 23, 2004

1118-001

Ms. Jan Hawn
Finance Director
City of Bellevue
11511 Main Street
Bellevue, Washington 98009-9012

Preliminary Findings and Recommendations

Dear Ms. Hawn:

The City of Bellevue (the City) retained ARM Tech to:

- Evaluate the City's standard insurance requirements and make recommendations for improvement.
- Review sample contracts to ensure coverage and limits are adequate in relation to the City's exposure.

In response to your request, this letter outlines the status of this project, including project activities to date, and our preliminary findings and recommendations.

Project Activities

In addition to reviewing the City's standard insurance requirements, we contacted other Washington public entities to benchmark the City's requirements. We also interviewed the following City personnel:

- Deputy City Manager
- Assistant to the City Manager
- Deputy City Attorney
- Assistant Director of Transportation
- Director of Utilities
- Risk Manager
- Assistant Director of Information Technology

Findings

The City enters into approximately 1,600 contracts per year. The Risk Manager spends about 85% of her time reviewing many of these contracts to ensure insurance requirements are adequate to protect the City. We judge the Risk Manager to be knowledgeable in this area. However, the time dedicated to contractual risk transfer is greater than usual.

About five claims per year are filed against the City from contractor activities. The City's average annual loss covered by contractor's insurance is \$84,000.

The City generally requires the coverages and limits in Table 1.

Table 1
Standard Contract Insurance Coverage Requirements

Coverages Required	Limits Required
General Liability	\$1 million CSL per occurrence
Automobile Liability	\$1 million CSL per accident
Workers Compensation	Statutory
Errors & Omissions	\$1 million per occurrence/annual aggregate

The City requires each contractor to name the City and its employees as additional insureds on the contractor's general and automobile liability policies. This coverage must be primary and must state that it applies separately to each insured. Failure to comply with the contractor's policy reporting provisions must not affect the City's coverage.

The City further requires that the contractor's insurers provide 30 days' notice of cancellation to the City and evidence an A.M. Best financial rating of A, XII.

The contractor must provide certificates of insurance, though the City reserves the right to request copies of the contractor's policies. The contractor must require its subcontractors to meet the City's insurance requirements. Finally, the City requires that all asbestos abatement work be approved by the Risk Manager.

The City's insurance requirements are practical and provide prudent protection to the City with one notable exception. The City requires construction/maintenance contractors working near the Olympic pipeline, and utility contractors working on City pipe, to carry pollution liability coverage. This coverage is not required by other Washington public entities with similar projects.

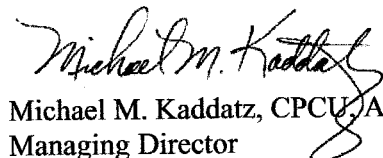
Recommendations

Our preliminary recommendations are:

- **Update and streamline insurance requirements.** Examples of updates include removing the requirement for "broad form comprehensive general liability" and the requirement that general, auto and pollution liability coverage limits be a "combined single limit." Examples of streamlining include omitting the requirement that the contractor declare its deductible, and deleting language requiring general liability insurance to apply separately to each insured. We will provide the City with proposed revisions to the standard contract language.
- **Develop a contracts manual.** The Risk Manager should develop written guidelines to assist agencies in understanding how and when to apply the standard insurance requirements. This manual should also establish a process for identifying and reviewing exceptions to these requirements.
- **Train and rely on others to verify contractor compliance on most contracts.** The Risk Manager should train the departments and/or the new contracting services unit to verify contractor compliance with the City's insurance requirements. The Risk Manager may periodically audit performance.
- **Develop a process to resolve conflict between risk and other business considerations.** There is an inherent tension between risk concerns and other business considerations. The City must decide the degree to which it seeks to transfer risk and develop a process to resolve impasse where this tension cannot be resolved.

We look forward to discussing our findings and recommendations at the City Council meeting scheduled for June 28, 2004. Please contact me at (949) 608-6502 with questions concerning our preliminary findings and recommendations.

Sincerely,


Michael M. Kaddatz, CPCU, ARM
Managing Director

MMK:pem

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ATTACHMENT "B"**INSURANCE REQUIREMENT**

The Contractor shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors. The cost of such insurance shall be paid by the Contractor. Insurance shall meet or exceed the following unless otherwise approved by the City. Questions regarding insurance requirements can be discussed with the City's Risk Management Office, 425-452-2011.

A. Minimum Scope of Insurance

1. ~~Insurance Services Office Commercial General Liability coverage with limits not less than \$1,000,000 per occurrence / \$2,000,000 annual aggregate ("occurrence" form CG 0001), or, Insurance Services Office form number GL 0002 covering Comprehensive General Liability and Insurance Services Office form number GL 0404 covering Broad Form Comprehensive General Liability.~~
2. Stop Gap/Employers Liability coverage with limits not less than \$1,000,000 per accident/disease.
3. ~~Insurance Services Office form number CA 0001, covering Business Automobile Liability coverage for owned, hired and non-owned vehicles with limits not less than \$1,000,000 per accident any auto, for activities involving other than incidental personal auto usage.~~
4. Workers' Compensation coverage as required by the Industrial Insurance Laws of the State of Washington; if the contract requires working on or over navigable waters, US Longshoremen's and Harbor Workers' (USL&H) coverage is required.
5. Consultant's Errors and Omissions or Professional Liability applying to all professional activities performed under the contract with limits not less than \$1,000,000 per claim and annual aggregate.

B. Minimum Levels of Insurance

1. ~~Comprehensive or Commercial General Liability: \$1,000,000 per occurrence / \$2,000,000 aggregate combined single limit for bodily injury, personal injury and property damage.~~
2. ~~Stop Gap/Employers Liability: \$1,000,000 each accident/disease.~~
3. ~~Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage.~~
4. ~~Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington; \$1,000,000 per occurrence and aggregate USL&H if required.~~
5. ~~Consultant's Errors or Omissions or Professional Liability: \$1,000,000 per occurrence and as an annual aggregate.~~

For All Coverages: Each insurance policy shall be written on an "occurrence" form; except that insurance on a "claims made" form may be acceptable with prior City approval. If coverage is approved and purchased on a "claims made" basis, the Contractor warrants continuation of coverage, either through policy renewals or the purchase of an extended discovery period, if such extended coverage is available, for not less than three years from the date of Contract termination, and/or conversion from a "claims made" form to an "occurrence" coverage form.

B. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the City. ~~In the event the deductibles or self-insured retentions are not acceptable to the City, the City reserves the right to negotiate with the Contractor for changes in coverage deductibles or self-insured retentions; or alternatively, require the Contractor to provide evidence of other security guaranteeing payment of losses and related investigations, claim administration and defense expenses.~~

C. Other Provisions

Wherever possible, the policies are to contain, or be endorsed to contain, the following provisions:

1. ~~General or Commercial~~ General Liability and Automobile Liability Coverages

- a. The City, its officials, employees and volunteers are to be covered as additional insureds, as respects: ~~liability arising out of activities performed by or on behalf of the contractor; products and completed operations of the Contractor; premises owned, leased or used by the Contractor; or automobiles owned, leased, hired or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officials, employees or volunteers.~~
- b. The Contractor's insurance shall be primary insurance as respects the City, its officials, employees and volunteers. ~~Any insurance or self-insurance maintained by the City, its employees or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.~~
- c. ~~Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its officials, employees or volunteers.~~
- d. ~~Coverage shall state that the Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.~~

2. All Coverages

~~Each insurance policy required by this clause shall states~~ shall provide that coverage shall not be canceled by either party except after thirty (30) days' prior-written notice has been given to the City.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current Bests' rating of A+:VIII, or with an insurer acceptable to the City.

E. Verification of Coverage

Contractor shall furnish the City with certificates of insurance affecting coverage required by this clause. ~~The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf and shall name the City as an "additional insured" except for coverages identified in A. 3. and 4. above. The certificates are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies at any time.~~

F. Subcontractors

Contractor shall include all subcontractors as insureds under its policies or shall require subcontractors to provide their own coverage. All coverages for subcontractors shall be which complies with subject to all of the requirements stated herein.

H. ~~Asbestos or Hazardous Materials Abatement Work~~

~~If Asbestos abatement or hazardous materials work is performed, Contractor shall review coverage with the City's Risk Manager and provide scope and limits of coverage that are appropriate for the scope of work. No asbestos abatement work will be performed until coverage is approved by the Risk Manager.~~

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CITY COUNCIL BUDGET REVIEW SESSION ITEM**SUBJECT:**

This discussion is part of the Council Budget Review Session process to present key drivers and policy issues facing the Utilities Department.

STAFF CONTACT:

Brad Miyake, Utilities Director (425) 452-4895
Nav Otal, Assistant Utilities Director (425) 452-2041

POLICY ISSUES:

The department has six major policy issues (categorized into externally driven issues and issues related to infrastructure needs), for Council consideration in developing 2005-2006 Operating Budget and 2005-2011 Capital Investment Plan.

External

1. METRO Wastewater Treatment
2. Cascade Water Alliance
3. Pavement Restoration
4. Stormwater NPDES Permit

Infrastructure Needs

1. Renewal & Replacement (R & R)
2. High Priority CIP Projects

BACKGROUND/ANALYSIS:**PROGRAMS/SERVICES****Water Maintenance & Operations**

The goal of Water Maintenance & Operations Program is to protect, maintain, operate, and administer the City's water system for the purpose of providing a safe and reliable supply of drinking water. Key functions under this program are: maintain adequate water pressure, fire, and consumption flows and quality throughout the system; provide efficient and effective emergency repairs and services; monitor the system and supply to ensure compliance with all state and federal drinking water standards for the public water system; and administer programs which ensure wise and efficient use of water. This program provides water service to 36,350 customers and is currently supported by 46.5 FTEs.

Sewer Maintenance & Operations

The goal of the Sewer Maintenance & Operations Program is to protect, maintain, operate, and administer the City's sewage disposal system in a manner which ensures public health and safety and protects the environment. This includes maintenance and operations of sanitary sewer

collection and pumping systems to assure continuous and reliable service. The program provides sewer service to 36,050 customers and is currently supported by 28.6 FTEs.

Storm & Surface Water Maintenance & Operations

The goal of the Storm & Surface Water Maintenance & Operations Program is to protect, maintain, operate and administer the City's natural and developed storm and surface water system for the purpose of providing fishable and swimmable water and a system which minimizes damage from storms. The program ensures that systems protect water quality, enhance habitat, control flooding, and comply with state and federal requirements. The program provides storm & surface water service to 30,385 customers and is currently supported by 33.94 FTEs.

Utility Improvements

The goal of the Utility Improvements Program is to protect utility infrastructure investments, optimize system performance and reliability and to ensure cost effective system expansion. Program elements include system planning and analysis; development, design and construction of the Capital Improvement Program (CIP); and project review and construction quality control of development projects. The program is currently supported by 37.4 FTEs.

Fleet & Communications Services

The goal of the Fleet & Communications Program is to ensure timely, cost-effective maintenance and asset management services to City departments for vehicles, specialized mechanical equipment, radios, and electronic equipment needed to support City functions. This program is currently supported by 23.0 FTEs.

Solid Waste Management

The goal of the Solid Waste Management Program is to provide management services to customers for the purposes of disposing solid wastes, minimizing costs and environmental degradation, and conserving resources. Under contractual arrangements, Eastside Disposal Services collects residential and commercial garbage, single and multi-family recyclables and single family yard waste. This program is currently supported by 2.1 FTEs.

BUDGET MANAGEMENT

In response to the slowing economy, the department has worked diligently to maintain existing quality and customer service levels while controlling spending levels in all major program areas. Below is a summary of the department's approach to achieving efficiencies and controlling costs over the last two years:

- Limiting discretionary spending by performing more of the work using in-house staff and by delaying purchases and programs, such as stream monitoring, when possible
- Refunding outstanding bonds at favorable rates
- Achieving salary savings by carefully prioritizing the hiring of vacant positions

- Achieving efficiencies and streamlined business processes as part of implementing a new customer information system
- Reducing costs by renegotiating contracts or selecting new vendors

Per Council adopted policies, any budget savings from 2003-2004 will be used to fund the Utilities Renewal & Replacement program and offset rate increases in the upcoming biennium.

KEY DRIVERS/POLICY ISSUES

These key drivers were introduced in the Utility Funds Early Outlook Forecast materials included in the June 21, 2004 Council packet. Budgetary impact and alternatives have been added in italics below.

External Drivers

1. King County/METRO Wastewater Treatment Costs:

On March 15, Council was briefed on early projections for wastewater treatment cost increases proposed by King County, which were in the range of approximately 18-20% for 2005. Since then, the County has refined their numbers and on June 14, 2004, the King County/METRO Council adopted an increase in the wastewater treatment rate of 9.4% (from \$23.40 to \$25.60) per month/equivalent residential unit. This is about half of the rate increase originally proposed by King County. The rate increase is largely driven by a decrease in commercial volumes, increased debt service costs, increases in operating costs and the need to establish a rate stabilization reserve. This increase in wholesale treatment costs will result in a rate increase of approximately 7.3% to Bellevue sewer customers. Per Council adopted financial policies, wholesale cost increases are passed through to the customer.

Budget Impact: Additional \$2.3 million is needed to fund increased wastewater treatment costs and increased utility taxes and reserves. This will result in a rate increase of 7.3% to Bellevue customers.

Alternatives:

- Pass through wholesale cost increase per adopted financial policies*
- Do not pass through cost increases from King County/METRO. Cut local programs to pay the increased wholesale expense*

2. Cascade Water Alliance

Effective January 1, 2004, the City of Bellevue signed a new water purchase arrangement with the Cascade Water Alliance (CWA) and relinquished its existing contract with Seattle. The new arrangement with the CWA will have an impact on the amount of total water charges from CWA and the subsequent rates to Bellevue customers and on how Bellevue reserves for operating contingencies.

Impact on Water rates: For the 2005 – 2006 Budget, total water charges from the CWA are expected to be lower than costs previously projected for Seattle and currently budgeted in 2004.

The base forecast assumes that these savings will be used to keep rates low during this forecast period.

Budget Impact: Water costs for 2005 – 2006 are projected to be lower by approximately \$1.5 - \$2.0 million. These savings have been used to keep rates low in 2005, 2006, & 2007.

Alternatives:

- a) *Use savings to offset rate increases in 2005, 2006, & 2007*
- b) *Reduce rates in 2005, but this would require additional rate increase of approximately 11% in 2007 and would result in reserves being lower than target levels for several years*

Reserves: The CWA currently purchases water from Seattle by way of a “take or pay” contract. This means that the CWA is contractually obligated to buy an agreed upon block of water from Seattle irrespective of how much is consumed. For this reason, the annual costs to Bellevue as a Cascade member for water purchases are largely fixed in a given year. This shifts the risk during a poor water sales year to Bellevue, since there would not be a corresponding reduction in water purchase costs when water sales are down. A recently completed cost of service study recommends moving towards a less variable rate structure as well as an increase in reserves to ensure that the City is able to pay for full water costs, even in a year when water sales are down. This shift in risk and corresponding need for higher target reserves was anticipated, and savings from the past two years have been put aside to fund the increased water reserves. A rate increase will not be necessary to fund the increased reserves.

Budget Impact: Additional \$3.1 million is required to fund the increase in reserves. This increase was anticipated and savings have been set aside from the last two years to fund the reserve. No rate increase is necessary.

Alternatives:

- a) *Increase current target operating reserves to incorporate the findings of the cost of service study. Use existing savings to fund the increase in operating reserves*
- b) *Do not increase target operating reserve levels. Use existing savings to fund other needs*

3. Pavement Restoration

When repairs are made to the City’s utilities located in paved roads, the pavement must be restored. The long-standing practice has been for Bellevue Utilities to install pavement patches only slightly larger than the area of disturbance. Utilities has infrequently performed more extensive pavement restoration by “grind and overlay” when a road has been recently overlaid or when the Transportation Department specifically requested it in response to premature pavement degradation. Transportation is requesting that Utilities follow Bellevue City Code, the Transportation Design Manual requirements and the general policy of restoration by grind and overlay in all cases where the road is in good condition as determined by the Pavement Management Rating System. This policy is intended to extend the useful life of the road and is in place for all others (Franchise Utilities, Developers, private citizens, etc.) performing work in the right-of-way.

Budget Impact: This program would require approximately \$370,000 in additional funding and will result in a 1% rate increase in the Water, a 1% rate increase in the Storm & Surface Water and a 0.2% rate increase in the Sewer Fund

Alternatives:

- a) Fund the pavement restoration program starting in 2005*
- b) Implement the pavement restoration program gradually over several years*

4. Storm water National Pollutant Discharge Elimination (NPDES) Permit:

In order to protect water quality, the federal Clean Water Act (CWA) established a requirement for municipalities to obtain a permit to discharge stormwater called the National Pollutant Discharge Elimination System (NPDES) permit. The Environmental Protection Agency (EPA) designated the Washington State Department of Ecology as the permitting authority. NPDES permits are scheduled for issuance to local jurisdictions in 2005. Once obtained, the permit assures certain management practices are in place and also provides legal protection for the municipality from 3rd party lawsuits for stormwater discharges.

Budget Impact: This program is projected to cost approximately \$165,000 per year and would result in an increase of about 1.7% in Storm & Surface Water rates.

Alternatives:

- a) Fund NPDES permit*
- b) Do not fund the NPDES permit and be out of compliance with the Federal Clean Water Act*

Infrastructure Needs

1. Renewal & Replacement (R & R)

Replacement Costs: In 1995, Council adopted policies and established accounts to fund long-term replacement of utility facilities. The policies were designed to assist with providing rate stability for generations to come. In this regard, Bellevue is very forward-looking and is in a much better position to anticipate utility facility replacement than most cities in the nation. Bellevue Utilities recently completed two studies that drew upon worldwide studies of infrastructure life and additional Bellevue system condition information to refine the assumptions used to develop the original Renewal & Replacement (R&R) plan. The engineering firm of Black & Veatch (B&V), evaluated the Utilities infrastructure condition and replacement needs. Financial Consulting Solution Group (FCSG) assisted in the funding and sensitivity analysis. These studies highlighted the following issues:

- Replacement costs for existing infrastructure are understated
Based on the Utilities construction costs in recent years as well as the experience of other Utilities, it was determined that replacement costs for existing infrastructure are understated and should be adjusted to current costs.

- R & R plan should include all utility infrastructure
The existing R & R plan only includes replacement of pipe. In order to fully reflect the true cost of current and future capital needs, the R & R plan should include all major Utility assets such as pump stations and reservoirs.
- Assets are expected to last longer
Asset lives vary depending on various attributes. Black & Veatch categorized assets into 3 "bins" and evaluated useful lives for each "bin". Most assets were deemed to have useful lives of 75, 100, or 150 years. Previous assumption was that all pipe assets had useful life of 75 years.

The first two elements above are expected to increase R & R funding needs significantly. This increase will be mitigated somewhat by the newly developed useful lives and survival curves, which indicate that assets are expected to last longer than earlier projected.

Due to the large rate base for Water & Sewer funds this is expected to have minimal impact on these funds. The impact to the Storm & Surface Water Fund is significantly more because the rate base is smaller and the current contribution from rates is being consumed by current CIP needs and very little is being contributed towards R & R.

Budget Impact: To revise the R & R plan to address the aforementioned issues will require an additional \$55,000 per year for Water & \$55,000 for Sewer and result in annual rate increases of approximately 0.2% every year for each fund. For the Storm & Surface Water Fund, an additional \$150,000 per year will be required and will result in annual rate increases of 1.5% every year.

Alternatives:

- c) *Fund R & R per study findings, starting in 2005*
- d) *Delay increased funding until 2006*
- e) *Do not update R & R plan to incorporate study findings*

Condition Assessment: In addition to the above adjustments to the existing R&R assumptions, the B&V study endorsed a long-term vision for significantly increasing condition assessment (i.e., testing of water pipes and cleaning and video inspection of sewer and storm pipes), especially for the Storm & Surface Water system, since condition of the system is largely unknown at this time. Growing the condition assessment programs would require several years and additional funding. Enhanced condition assessment may result in additional or accelerated capital needs, depending on the findings of the condition assessment programs. It is anticipated that a third-phase refinement of R&R assumptions would be carried out in another decade when condition assessment programs have reached maturity.

Budget Impact: To begin enhancing our condition assessment program, an additional \$50,000 in the Water and \$50,000 in the Storm & Surface Water Funds and an additional \$40,000 in the Sewer Fund are required.

Alternatives:

- a) *Begin enhancing condition assessment program as proposed*
- b) *Do not increase the current condition assessment program*

2. New Capital Needs

There are several capital projects highlighted as being high priority during this forecast period. These include infrastructure replacement projects, projects to meet capacity in the CBD area, projects to meet regulatory requirements, and projects to address flooding problems. A number of these projects will be considered for the 2005 - 2011 CIP plan.

Budget Impact: In order to meet these high priority capital needs in the upcoming CIP period, additional funding of \$450,000 per year in the Water Fund, \$1.7 million in 2010 in the Sewer Fund, and \$100,000 per year in the Storm & Surface Fund is required. This will result in rate increase in 2005 of 1.7% in Water, 1.0% in Sewer, and 1.0% in the Storm & Surface Water Funds.

Alternatives:

- a) *Fund new high priority capital projects in 2005-2011 CIP*
- b) *Do not fund any new projects*
- c) *Reprioritize or delay existing projects to fund new projects*

To recap, each of the issues above is expected to impact 2005-2006 budgets and rates. This is in addition to the cost increases needed to cover base expenditure growth for current programs. The Utilities department experiences some of the same cost pressures as the rest of the City such as increased expenditures due to higher medical costs and inflation. In addition, there are Utilities-specific cost pressures due to regulatory environment or specific capital needs. Both contribute to annual cost increases and the need for annual revenue increases. The Utility Funds' expenditure growth, excluding wholesale & CIP, is projected to be approximately 3.5% annually, similar to the expenditure growth for the General Fund. However, unlike the General Fund, Utility Funds have very little revenue growth other than through rate increases. Annual rate increases are necessary to accommodate any expenditure growth.

TYPICAL IMPACTS ON CUSTOMERS

As a result of the base expenditure growth and rate impacts associated with the key budget issues detailed above, the impact on a typical residential utility customer is projected to be as follows:

	<u>Monthly Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
2004 Utility Bill	\$83.08		
2005 Metro	\$2.67		
2005 Local	<u>\$3.61</u>		
2005 Utility Bill	\$89.36	\$6.28	7.6%
2006 Utility Bill	\$90.70	\$1.34	1.5%

Of the \$6.28 per month increase in 2005, \$2.67 or about 43% is due to cost increases from METRO for wastewater treatment. The remaining increases of \$3.61 and \$1.34 per month in 2005 & 2006 respectively are to pay for base expenditure cost increases and to fund the cost

increases associated with key budget issues described above. More detailed information each Utility (Water, Sewer, Storm & Surface Water) can be found in Attachment 1.

UTILITY MONTHLY BILL COMPARISON

Every year the Utilities Department conducts a rate comparison study in order to evaluate how Bellevue rates compare to the neighboring jurisdictions. The cities included in this comparison are: Bellevue, Kirkland, Issaquah, Mercer Island, Redmond, Renton, and Seattle. In this study, charges for typical residential, multi-family, and commercial customers in Bellevue are compared to what these customers would pay in other cities. Overall, Bellevue utility rates compare well to other cities.

Compared to other jurisdictions, Bellevue water rates are in the mid-range for all customer classes. For the sewer utility, Bellevue rates are at the lower end for all customer classes.

For the storm and surface water utility, rates for residential customers in Bellevue are the highest of all the cities compared, while rates for multi-family and commercial rates are lower than those charged by the most of the other cities in this comparison. The primary reason for this disparity in storm rates is that most other jurisdictions charge residential customers a fixed rate while Bellevue charges all customers based on the size of the lot and the percentage of impervious area. The results of this comparison are detailed in Attachment 2, 2004 Monthly Bill Comparison.

Attachment 3, the Utilities Department chapter from the 2003-2004 Budget, is included in this packet for reference purposes.

ATTACHMENTS:

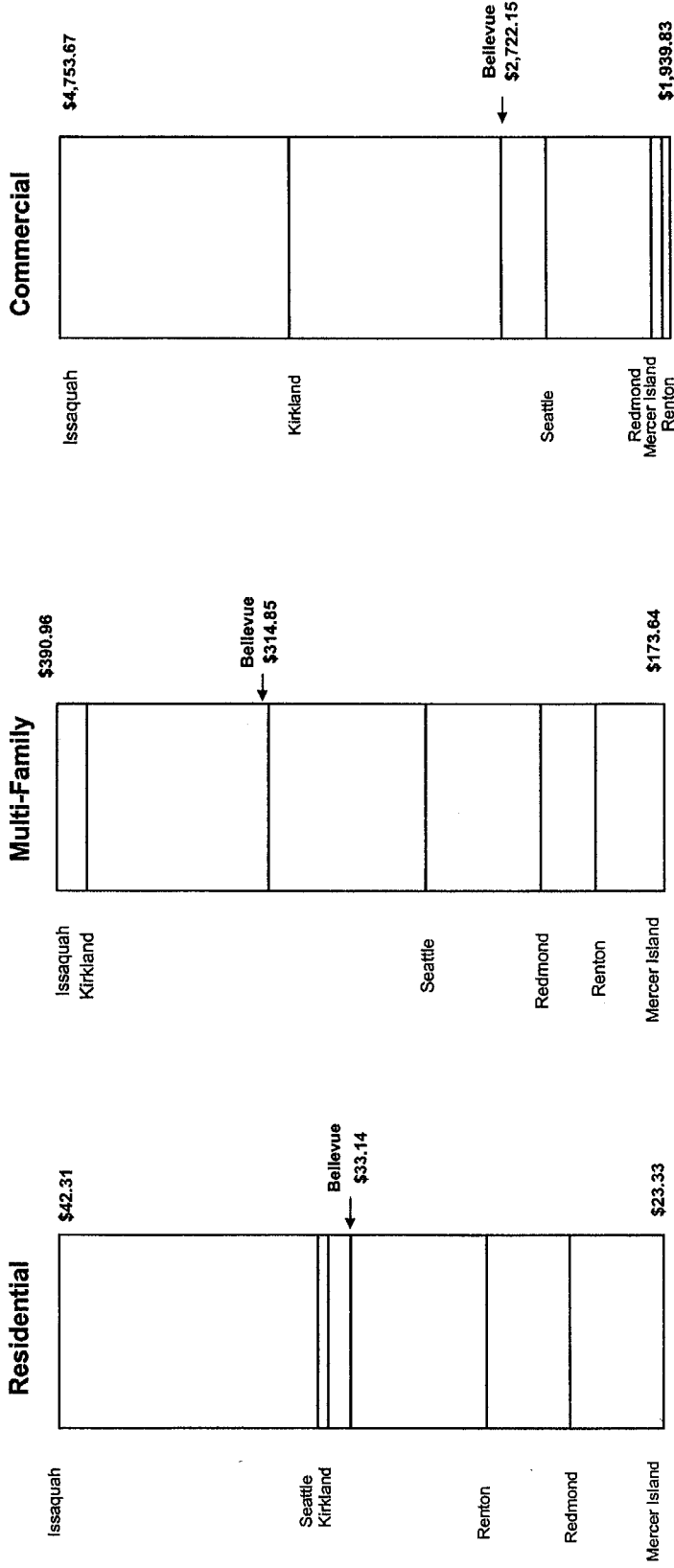
1. Summary of Impacts to Typical Residential Customer
2. 2004 Monthly Bill Comparison
3. 2003-2004 Budget – Utilities Department Chapter

Utilities Department

Typical Residential Customer
Summary of Impacts

	Water	Sewer	Storm	Total
2004 Monthly Bill	\$33.14	\$36.60	\$13.34	\$83.08
METRO	-	2.67	-	2.67
Local	-	0.88	0.37	1.25
2005 Base Impact	\$0.00	\$3.55	\$0.37	\$3.92
Pavement Restoration	0.33	0.07	0.13	0.53
CWA	-	-	-	-
NPDES	-	-	0.22	0.22
R&R Replacement	0.07	0.07	0.20	0.34
R&R Condition Assessment	0.07	0.07	0.07	0.21
Storm Projects	0.56	0.37	0.13	1.06
Total New Drivers	\$1.03	\$0.58	\$0.75	\$2.36
Total Rate Impact	\$1.03	\$4.13	\$1.12	\$6.28
Projected 2005 Monthly Bill	\$34.17	\$40.73	\$14.46	\$89.36
2006 Rate Impact	0	0.65	0.69	1.34
Projected 2006 Monthly Bill	\$34.17	\$41.38	\$15.15	\$90.70

WATER UTILITY 2004 MONTHLY BILL COMPARISON



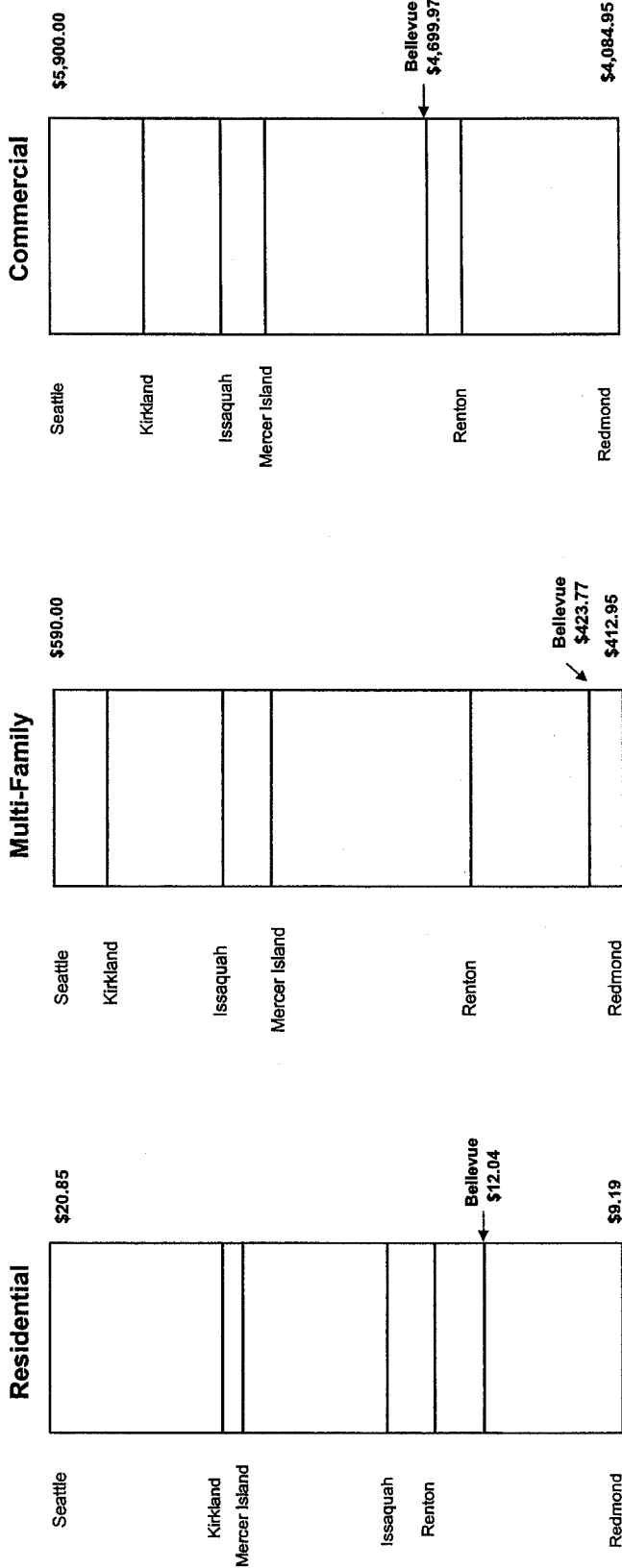
Comparisons based on the following criteria established by City Engineers Association of Washington.

1. Residential: A single-family dwelling with 3/4" meter and monthly consumption of 1,000 cubic feet.
2. Multi-family: A 12 unit multi-family building with a single 1 1/2" meter and monthly consumption of 10,000 cubic feet.
3. Commercial: A commercial/industrial user with a 4" meter and monthly consumption of 100,000 cubic feet.

Jurisdiction	2004 Monthly Residential Bill	2004 Monthly Multifamily Bill	2004 Monthly Commercial Bill
Mercer Island	\$23.33	\$173.64	\$1,976.62
Redmond	\$26.30	\$218.08	\$2,028.33
Renton	\$28.92	\$198.36	\$1,939.83
Bellevue	\$33.14	\$314.85	\$2,722.15
Kirkland	\$33.82	\$380.22	\$3,692.78
Seattle	\$34.15	\$259.30	\$2,515.00
Issaquah	\$42.31	\$390.96	\$4,753.67

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SEWER UTILITY
2004 MONTHLY BILL COMPARISON

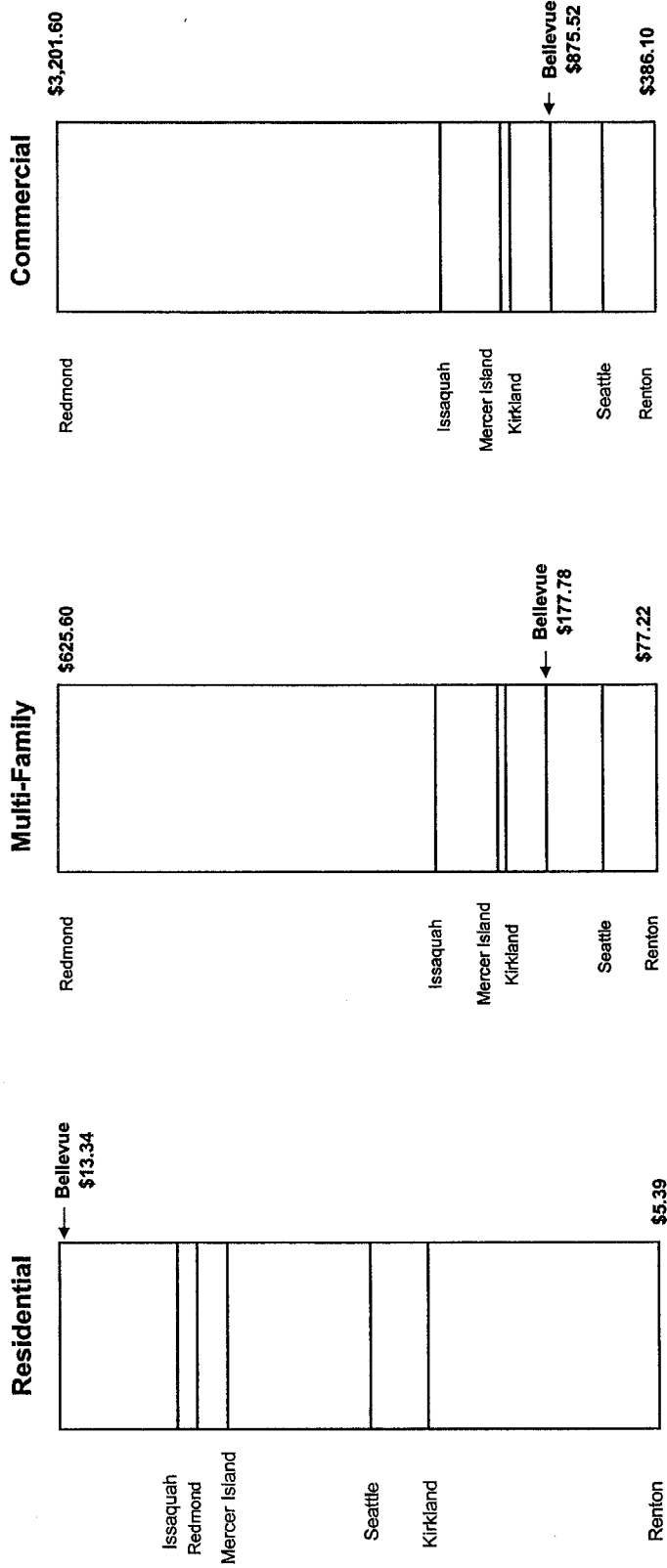


Jurisdiction	2004		2004	
	Monthly Residential Bill	Monthly Multifamily Bill	Monthly Commercial Bill	
Redmond	\$9.19	\$412.95	\$4,084.95	
Bellevue	\$12.04	\$423.77	\$4,699.97	
Renton	\$13.04	\$460.99	\$4,591.99	
Issaquah	\$14.00	\$537.23	\$5,352.23	
Mercer Island	\$16.90	\$522.23	\$5,211.12	
Kirkland	\$17.31	\$573.33	\$5,600.73	
Seattle	\$20.85	\$590.00	\$5,900.00	

Comparisons based on the following criteria established by City Engineers Association of Washington.

1. Residential: Either a flat rate or metered service with monthly consumption of 750 cubic feet.
(EXCLUDES METRO)
2. Multi-family: A 12 unit multi-family building with a single 1 1/2" meter and monthly consumption of 10,000 cubic feet.
3. Commercial: A commercial/industrial user with a 4" meter and monthly consumption of 100,000 cubic feet.
(no-separate irrigation meter)

**STORM & SURFACE WATER UTILITY
2004 MONTHLY BILL COMPARISON**



Jurisdiction	2004 Monthly Residential		2004 Monthly Multifamily		2004 Monthly Commercial	
	Bill	Rate	Bill	Rate	Bill	Rate
Redmond	\$5.39		\$77.22		\$386.10	
Kirkland	\$8.43		\$214.65		\$1,065.30	
Seattle	\$9.20		\$126.49		\$632.46	
Mercer Island	\$11.10		\$222.00		\$1,110.00	
Redmond	\$11.50		\$625.60		\$3,201.60	
Issaquah	\$11.77		\$278.59		\$1,392.97	
Bellevue	\$13.34		\$177.78		\$875.52	

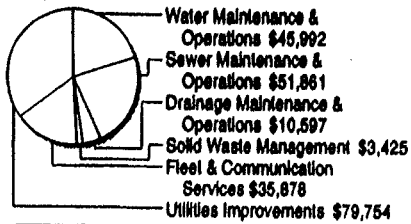
Comparisons based on the following criteria established by City Engineers Association of Washington.

1. Residential: Based on flat rate for single family dwelling on a lot; or on 12,000 square foot, moderately developed lot.
2. Multi-family: Rate for a 10 unit multi-family building on a 2 acre site with 80% impervious surface.
(very heavy development)
3. Commercial: Rate for a commercial/industrial site of 10 acres with 80% impervious surface.
(very heavy development)

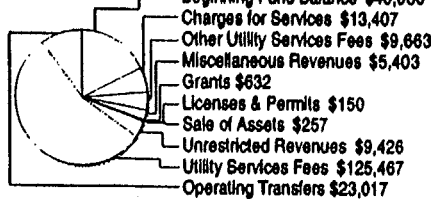
UTILITIES

I. BUDGET OVERVIEW

Expenditures & Reserves



Resources

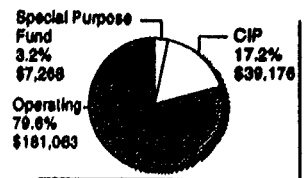


Budget Data

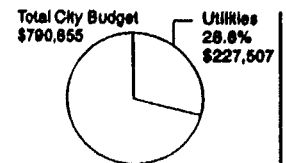
\$000

2003-2004 Budget	\$227,507
Change from 2001-2002:	\$27,984
Change per Capita:	10.3%
2003 FTEs:	162.6
2004 FTEs:	171.6
FTE Change from 2002 to 2003:	(3.0)
FTE Change from 2003 to 2004:	9.0
FTE Change per Thousand 2002 to 2003:	(2.4%)
FTE Change per Thousand 2003 to 2004:	4.9%

Summary by Budget Type

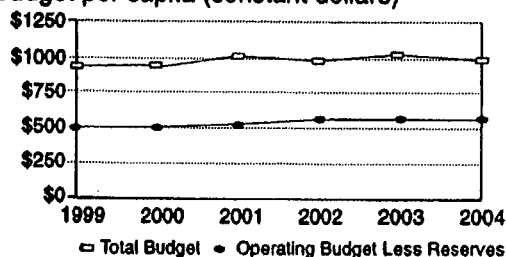


Percent of Total Budget

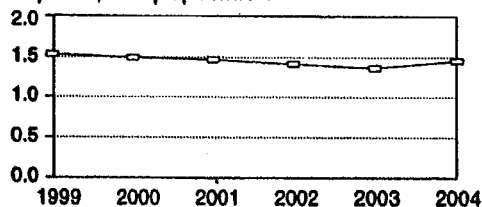


Historical Trends

Budget per capita (constant dollars)



FTEs per 1,000 population



- The increase in the 2001 total budget per capita was largely due to wholesale rate increases from Seattle Water and capital expenditures including technology investments.
- The increase in the 2002 operating budget per capita was largely due to the wholesale rate increases from Metro.
- The increase in the 2003 total budget per capita is largely due to the increase in the Seattle water rates, the assumption of the Coal Creek Utility District and the Cascade Water Alliance program.
- Decreases in the total budget per capita in 2000, 2002 and 2004 reflect reduced levels of CIP project spending typically scheduled for the second year of the two year budget cycle.

- FTEs per 1,000 population decreased in 2003 due to the Information Technology Department realignment and a program FTE reduction. In 2004, the increase is due to the assumption of the Coal Creek Utility District.

Significant Budget Issues

- The 2003-2004 Budget includes the following annual increases for 2003 and 2004 respectively: 10.0% and 6.5% rate increases for Water; 3.8% and 0.0% rate increases for Sewer; and 7.1% and 4.4% rate increases for Storm & Surface Water.
- Seattle Increased wholesale water rates by over 15% effective September 16, 2002 and will further implement a rate increase of 9% effective January 1, 2004.
- The 2003-2004 Budget assumes no rate increases by King County-Metro for sewer treatment services.
- The budget includes approximately \$800,000 of Cascade Water Alliance (CWA) costs of which about \$600,000 is planned to be recovered through development charges. Changes in water purchase costs that would result from purchasing water from CWA are not included in this budget.
- The 2003 budget includes start-up costs and debt service costs associated with the assumption of the Coal Creek Utility District. The 2004 budget covers costs to provide water and sewer service to the new area. These costs are fully funded by the increase in revenues from these new customers.
- The budget includes funding to enhance preventative maintenance efforts in sewer.
- The budget includes Utilities share of the one-time capital and ongoing maintenance and operations costs to fund the replacement of the City's core Financial & HR systems resulting in rate increases of 1.0% for water, 0.8% in sewer and 2.4% in storm & surface water.
- The budget includes reductions in service levels in reservoir and sewer facility landscaping maintenance, reservoir circulation, resource conservation technical assistance and public outreach programs.
- The current 2003-2004 Solid Waste budget is per the current collection contract, which is due for renewal in 2004.

II. **MISSIONS & GOALS**

Community Vision:

- Water - To provide a reliable supply of safe, high-quality drinking water that meets all the community's water needs.
- Sewer - To provide a reliable wastewater disposal system that ensures public health and safety and protects the environment.
- Storm & - To provide a surface water system designed to achieve fishable and swimmable
Surface Water waters and control damage from storms.
- Solid Waste - To provide a convenient and unobtrusive solid waste collection system that contributes to a healthy and pleasing cityscape in an environmentally sensitive way.

Our Mission:

We manage Bellevue's drinking water, wastewater, surface water, and solid waste systems, as well as street maintenance, fleet services, and communication services in a quality manner that is safe, reliable, cost-effective, innovative and supports a healthy economy and natural environment.

Our Values:

Exceptional Public Service

We strive to meet or exceed customer needs. We treat our customers equitably and consistently by listening carefully, encouraging dialogue and feedback, and asking rather than assuming motives or actions. We produce high quality work with available resources. We support one another and carry our share of the load. We're cooperative, adaptable, and flexible.

Stewardship

We set resource conservation goals to protect the environment and long-term community interests. We strive to provide adequate resources for existing and future community utility needs.

Commitment to Employees

We work together professionally, demonstrating cooperation, adaptability and flexibility. We promote and show value for employee efforts, each other, diversity, professional courtesy and responding to and supporting the needs of others.

Integrity

We do our jobs to the best of our ability, providing a day's work for a day's pay. We demonstrate professionalism by taking pride in work well done, being accountable and honest, and respecting confidentiality. We share expectations and commitments, ideas and information, knowledge, and roles and responsibilities.

Innovation

We are innovative, efficient, responsive, responsible, thorough, consistent and accurate. We make it safe to take responsible, well-thought-out risks. We make it safe to express different ideas and opinions.

Safety

We take time and allocate resources to be safe. We understand regulations and practice procedures consistently. We practice and enforce actions that ensure safety.

Our Goals:

1. Provide high-quality customer service.
2. Provide a safe, high quality, and reliable water supply that meets the Community's current and future needs.
3. Meet community expectations for sanitation and litter control.
4. Provide continuous reliable wastewater collection and treatment.
5. Minimize damage from storm events.
6. Meet water quality standards established for Lake Washington and Lake Sammamish.
7. Maintain open streams and wetlands to provide flood protection, maintain good water quality, support fish and wildlife habitat, and preserve the natural environment.
8. Manage solid waste to minimize environmental impacts, conserve natural resources, and meet the community's solid waste service needs.
9. Meet local, state, and federal requirements.
10. Instill values and promote actions by individuals, businesses, and other stakeholders supportive of the community's vision of the water, wastewater, surface water, and solid waste utilities.
11. Manage and maintain the City's fleet and communication systems to effectively support City operations.
12. Manage maintenance activities for the City's transportation system to provide clean and safe streets, walkways and bikeways, and respond to winter snow and ice conditions or other emergencies.

III. 2001-2002 WORK ACCOMPLISHMENTS

1. Finalized Interlocal agreement implementing the City of Bellevue's partial assumption of the Coal Creek Utility District.
2. Planned and implemented Surface Water and Streets services for the newly-annexed West Lake Sammamish area.
3. Completed an action plan which provides a vision and direction for achieving Bellevue's long-term water supply needs through Cascade Water Alliance.
4. The Utility CIP invested over \$9 million in 2001 and nearly \$7 million in 2002 for projects that maintain utility system integrity, improve system operating efficiency, reduce flood damage, protect water quality, improve habitat, improve levels of service where directed per policy, and meet service expansion requirements for growth. Major projects completed include Seismic retrofit of the North and South Crossroads, Woodridge and Parksites Water Reservoirs, Vasa

Creek Erosion Control, extended sewer service to south Greenwich neighborhood and along Newport Way near 164th and are projecting to replace over 13,000 lineal feet of asbestos cement water main.

5. Permitted, inspected, and assumed ownership of over 22 lineal miles of utility pipelines and associated appurtenances constructed by development.
6. Conducted Water System Vulnerability Assessment and developed Implementation Plan.
7. Provided leadership in regional watershed planning, responding to ESA and federal and state regulatory requirements.
8. Responded to numerous significant events such as an earthquake (2/28/01), rainstorms (11/01), ice/snowstorms (12/01), energy crisis/curtailment (summer, 2001), and drought/water use curtailment (summer, 2001).
9. Completed the Wastewater Comprehensive Plan Update.
10. Analyzed Wastewater failures and claims and developed plan for enhancing preventive maintenance activities.
11. Completed a water loss study of the Utility's water system.
12. Completed Utilities Customer Information System procurement process, including selection of an apparent successful vendor and completion of a site assessment.
13. Continued participation in development and implementation of the Regional Wastewater Services Plan.
14. Continued work on long-term strategy to respond to increased operations and maintenance requirements mandated by regional, state and federal environmental mandates (e.g., Safe Drinking Water Act, Endangered Species Act, National Pollution Discharge Elimination System).
15. Completed comprehensive Drinking Water Quality Monitoring Plan.
16. Developed and distributed annual Drinking Water Quality Report required by federal EPA.
17. Completed water system Pathogen Intrusion Study as part of national project with the American Water Works Association Research Foundation.

IV. 2003-2004 MAJOR WORK INITIATIVES

1. Implement Water System Security Enhancements.
2. Complete the assumption of Coal Creek Utility District. Effective December 31, 2003 provide utility services to approximately 4,000 water and 2,500 sewer customers.
3. Begin implementation of the Cascade Water Alliance action plan including:
 - Approval of new interlocal agreements among members
 - Agreement with Tacoma for interim water supply
 - Regionalization of the Bellevue/Issaquah pipeline
 - Complete new water supply arrangements with Seattle

- Initiate the design of Tacoma/Eastside pipeline
 - Acquire water right for Lake Tapps
4. Create scope, procure and implement a new Solid Waste Collection contract, which is due for renewal in 2004, including modifications to current programs.
 5. Complete the replacement/enhancement of the Utilities Customer Service Information System.
 6. In 2003-2004, invest \$19 million in utility infrastructure via the capital project in the 2003-2009 CIP budgets. Major projects include Richards Creek Culvert Replacement at Kamber Road, Meydenbauer Water Reservoir Replacement, improved fire protection for water customers throughout the service area, ongoing rehabilitation/replacement of aging infrastructure.
 7. Implement plan for enhancing Wastewater preventive maintenance activities.
 8. Conduct water and sewer cost of service studies.
 9. Evaluate Fleet & Communications service delivery options.
 10. Continue development of renewal and replacement criteria and condition assessment programs for each utility to manage investments in utility infrastructure.
 11. Complete mandatory audit of federal Community Rating System program for floodplain management.
 12. Continue work on long-term strategy to respond to increased operations and maintenance requirements mandated by regional, state and federal environmental mandates (e.g., Safe Drinking Water Act, Endangered Species Act, National Pollution Discharge Elimination System).
 13. Initiate update of the Water Comprehensive Plan Update.
 14. Pursue Accreditation by the American Public Works Association (APWA) which will objectively demonstrate that our Utility is well managed, complies with nationally recognized and recommended policies, procedures and practices, and is dedicated to continuous improvement of public works management practices.
 15. Participate in local Environmental Species Act program as approved by Council and Water Resource Inventory Area 8 (WRIA 8) planning and forum process to develop a long-term salmon conservation plan.
 16. Develop and/or update hydraulic models of major stream systems.
 17. Apply for National Pollution Discharge Elimination System Phase 2 permit for Bellevue systems as federally mandated.
 18. Review and update drinking water quality program procedures consistent with new State Department of Health requirements.
 19. Develop and implement Sustainable Building Improvements & Educational Resources at the Lake Hills Ranger Station in joint project with Parks Department.

V. PROGRAM OVERVIEW - UTILITIES

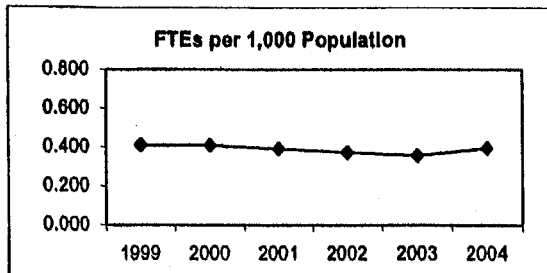
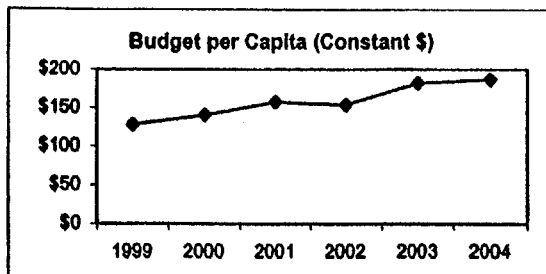
Program: Water Maintenance & Operations

Description: Protect, maintain, operate, and administer the City's water system for the purpose of providing a reliable supply of safe drinking water. Maintain adequate water pressure, fire, and consumption flows and quality throughout the system. Provide efficient and effective emergency repairs and services. Monitor the system and supply for and ensure compliance with all state and federal drinking water standards for public water systems. Administer programs which ensure the wise and efficient use of water.

- Initiatives:**
1. Continue support for Cascade Water Alliance efforts to negotiate a new wholesale water supply contract with Seattle Public Utilities or investigate development of independent water sources.
 2. Develop a transition plan for providing water service to areas in Bellevue now serviced by the Coal Creek Utility District.
 3. Continue Implementation of a comprehensive system-wide drinking water quality plan.
 4. Continue water quality and conservation program outreach efforts.
 5. Continue production of the federally mandated Consumer Confidence Report.
 6. Complete the replacement/enhancement of the Utilities Customer Service Information System.
 7. Continue development of renewal and replacement criteria and condition assessment programs to manage investments in utility infrastructure.
 8. Implement water system security enhancements.

Budget (\$000s)
Reserves
Total Budget
FTEs

1999	2000	2001	2002	2003	2004
\$12,353	\$14,450	\$15,619	\$17,075	\$20,791	\$22,038
1,208	1,442	2,912	2,425	2,972	3,163
\$13,562	\$15,892	\$18,531	\$19,500	\$23,763	\$25,201
43.60	44.83	43.53	43.53	41.81	46.53



Historical Trends

*The 1999 and 2000 increases are due to a combination of proposed Seattle water rate increases, and additions in 2000 to water reserves to restore funds.

*The increase in 2001 is largely due to proposed Seattle water rate increases, capital expenditures, including technology investments, and higher reserve levels needed to level rates.

*The increase in 2003 and 2004 is primarily due to increased Seattle water rates, the assumption of the Coal Creek Utility District and the new Cascade Water Alliance Program.

*Because the service area for this program includes populations outside city limits, the actual FTE per 1,000 population is somewhat lower than represented in this graph. The reduction in 2003 is due to the Information Technology Department realignment and a program reduction. The increase in 2004 is due to the assumption of the Coal Creek Utility District.

V. PROGRAM OVERVIEW - UTILITIES**1. Desired Program Outcomes:**

- A) Maintain customer satisfaction rating of 85% or better.
- B) Improve delivery of water to customers by limiting service interruptions to less than 3.0 per 1,000 service connections.
- C) Ensure a safe supply of drinking water by maintaining 100% compliance with state and federal drinking water standards.
- D) Continue to increase water use efficiency, and meet or exceed regional water use reduction goals of 26% by 2010, from 1990 levels.
- E) Minimize City liability concerns by limiting water system claims incurred to four or less claims per year with no single claim greater than \$20,000.

2. Activities - Services provided to achieve outcomes:

- A) Protect and provide a reliable supply of safe drinking water to the City.
- B) Maintain water pressure, fire and consumption flows and quality throughout the system.
- C) Provide efficient and effective emergency repairs and service.
- D) Monitor the system to ensure compliance with state and federal drinking water standards for public water systems.
- E) Administer programs for wise and efficient use of water.

3. Performance Measures:

(Note: The letter in the first column refers to its related Desired Program Outcome. Targets for 2004 do not include the Coal Creek Utility District.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Effectiveness							
A) Customer satisfaction rating	86%	77%	88%	85%	85%	85%	85%
B) Service interruptions per 1,000 service connections	3.2	3.1	2.9	3.0	3.0	3.0	3.0
B) Percent of valves exercised as planned	87%	100%	122%	100%	100%	100%	100%
C) Number of violations of state and federal drinking water standards	0	0	0	0	0	0	0
C) Percent of required backflow device testing and system monitoring completed on time	100%	100%	100%	100%	100%	100%	100%
D) Overall percentage water demand reduction since 1990	16.9%	19.2%	23.5%	17.7%	18.7%	19.7%	20.7%
E) Number of claims paid	5	6	3	4	4	4	4
E) Number of claims greater than \$20,000	0	0	0	0	0	0	0
Efficiency							
B) Average cost for valves exercised	\$4.51	\$5.50	\$4.51	\$5.00	\$5.20	\$5.25	\$5.30
C) Average cost per linear foot of main flushed	\$0.15	\$0.12	\$0.14	\$0.10	\$0.10	\$0.12	\$0.12
C) Cost per customer for meeting state and federal required drinking water standards	\$4.87	\$4.09	\$5.77	\$5.00	\$5.00	\$5.00	\$5.00
D) Water conservation programs costs per customer per year	\$3.47	\$3.53	\$5.67	\$4.00	\$4.00	\$4.00	\$4.00

V. PROGRAM OVERVIEW - UTILITIES

3. Performance Measures (continued):

(Note: The letter in the first column refers to its related Desired Program Outcome. Targets for 2004 do not include the Coal Creek Utility District.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Workload							
A) Number of customers billed for water services	32,336	32,800	32,800	33,600	33,600	33,600	33,600
B) Number of valves exercised	3,326	3,900	4,755	3,900	3,900	4,000	4,000
B) Number of water main repairs	39	35	37	35	35	35	35
All) Total system miles	* 550	550	562	** 562	** 563	564	565
C) Number of backflow prevention assemblies (BPA) certified	4,179	4,533	5,097	4,800	5,200	5,300	5,400
C) Number of linear feet of main flushed	160,000	368,000	346,000	***590,000	***590,000	590,000	590,000
C) Number of water system samples tested	942	1,000	897	1,200	1,200	1,200	1,200
D) Number of customer service requests for water conservation information and assistance	437	750	1,500	750	750	750	750

4. Program Notes:

The provision of high-quality service to our customers is a central objective of all Utility programs. Customer surveys help us measure and track customer satisfaction. The Department satisfaction rating increased in 2001 from the 2000 rating of 77% to 88% of customers who said they were fairly to very satisfied with the Bellevue Utilities Department. This is consistent with previous ratings (90% in 1997, 91% in 1998, and 86% in 1999).

Aging infrastructure is beginning to impact costs. Maintenance costs and claims can be expected to increase as water systems begin reaching the end of their reliable service life.

Drinking Water quality programs and maintenance and operations activities have continued to be effective in maintaining water quality and protecting public health. Programs will continue to focus on enhancing water quality and expansion of real time monitoring systems to ensure compliance with state and federal standards.

Since 1990, the water demand reduction has continued to increase, even after exceeding the original target set for 1999 of 16%. This has resulted from continuing retrofit programs, rate incentives, and changes in customer behaviors. In 1999, new regional demand reduction goals of an additional 1% per year for 10 years were established in order to supply water for growth and respond to the Chinook salmon Endangered Species Act listing. Demand reduction for 2001 was greater than anticipated because of impacts of the water shortage and voluntary watering restrictions.

The actual average cost of valves exercised varied due to their geographical location. Water quality costs increased in 2001 and 2002 due to a continuing response to Safe Drinking Water Act mandates. Costs are expected to remain at projected levels.

The number of water samples collected annually is expected to remain constant at between 1,000 and 1,200 as a result of current federal and state requirements. In addition to samples taken by Bellevue, Seattle Public Utilities tests over 1,000 water samples per year from the Bellevue system to meet EPA requirements.

* 1999 actual updated with latest system data.

** 2001, 2002 targets increased to reflect trend from latest system data.

*** 2001, 2002 targets updated to reflect new system flushing approach.

V. PROGRAM OVERVIEW - UTILITIES

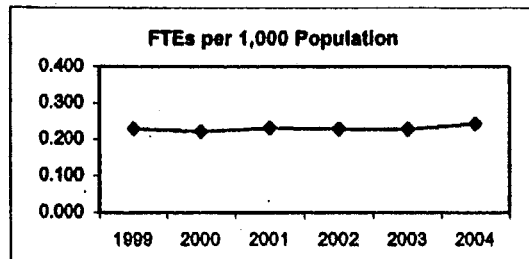
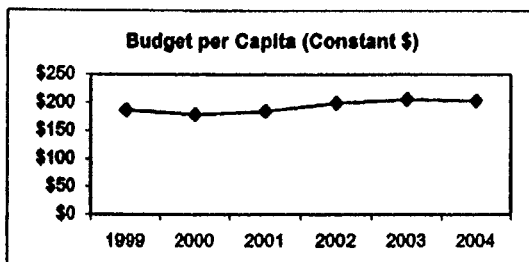
Program: Sewer Maintenance & Operations

Description: Protect, maintain, operate and administer the City's sewage disposal system in a manner which ensures public health and safety and protects the environment. Maintain and operate sanitary sewer collection and pumping systems to assure continuous and reliable service.

- Initiatives:**
1. Develop a transition plan for providing sewer service to areas in Bellevue now serviced by the Coal Creek Utility District.
 2. Complete the replacement/enhancement of the Utilities Customer Service Information System.
 3. Continue development of renewal and replacement criteria and condition assessment programs to manage investments in utility infrastructure.
 4. Implement plan for enhancing preventative maintenance activities.

Budget (\$000s)
Reserves
Total Budget
FTEs

1999	2000	2001	2002	2003	2004
\$17,951	\$18,602	\$19,412	\$23,200	\$24,426	\$24,705
1,864	1,698	2,329	2,037	2,504	2,731
\$19,815	\$20,300	\$21,741	\$25,237	\$26,929	\$27,435
24.23	24.23	25.62	26.62	26.62	28.62



Historical Trends

*The budget per capita remained fairly level in 1999 through 2001 due to minimal King County METRO rate increases. The increase in 2002 is due to a significant King County METRO rate increase.

*The increase in 2003 and 2004 is primarily due to the assumption of the Coal Creek Utility District

*Because the service area for this program includes populations outside city limits, the actual FTE per 1,000 population is somewhat lower than represented in this graph. The increase in 2004 is due to the assumption of the Coal Creek Utility District.

1. Desired Program Outcomes:

- A) Maintain a customer satisfaction rating of 85% or better.
- B) Ensure that wastewater produced by Bellevue customers does not pollute local surface waters by limiting pump station overflows to less than 0.23 per 1,000 service connections.
- C) Improve service of the wastewater system by limiting mainline stoppages to less than 0.5 per 1,000 service connections.
- D) Minimize City liability concerns by limiting wastewater system claims incurred to less than seven claims per year with no single claim greater than \$20,000.

V. PROGRAM OVERVIEW - UTILITIES**2. Activities - Services provided to achieve outcomes:**

- A) Protect City's wastewater disposal system to ensure public health and safety and to protect the environment.
 B) Maintain and operate a sanitary wastewater collection and pumping system for continuous and reliable service.

3. Performance Measures:

(Note: The letter in the first column refers to its related Desired Program Outcome. Targets for 2004 do not include the Coal Creek Utility District.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Effectiveness							
A) Customer satisfaction rating	85%	77%	88%	85%	85%	85%	85%
B) Pump station overflows per 1,000 service connections	0.00	0.23	0.03	0.23	0.23	0.23	0.23
B) Percent completion of planned pump station inspection and maintenance program	104%	100%	99%	100%	100%	100%	100%
B) Percent of industrial waste pretreatment systems certified	100%	100%	100%	100%	100%	100%	100%
C) Percent of time sewer service restored within 5 hours of a stoppage	100%	80%	97%	80%	80%	80%	80%
C) Percent completion of planned sewer line inspection program	97%	100%	64%	100%	100%	100%	100%
C) Percent completion of planned manhole inspection program	NA	100%	14%	100%	100%	100%	100%
C) Percent completion of planned sewer pipe jet cleaning program	86%	100%	73%	100%	100%	100%	100%
C) Public system backups per 1,000 service connections	0.58	* 0.22	0.26	0.50	0.50	0.50	0.50
D) Number of claims greater than \$20,000	0	0	2	0	0	0	0
D) Number of claims paid	3	6	10	6	6	6	6
Efficiency							
B) Cost of pump station maintenance per 1,000 service connections	\$4,702	\$3,116	\$3,370	\$3,300	\$3,400	\$3,500	\$3,600
B) Industrial Waste program costs per customer per year	\$0.97	\$0.61	\$0.99	\$0.62	\$0.50	\$0.50	\$0.50
C) Average cost per manhole inspected	NA	\$10.00	\$11.52	\$10.50	\$10.75	\$11.00	\$11.30
C) Average cost per foot of sewer pipe inspected	\$0.59	\$0.60	\$0.61	\$0.65	\$0.68	\$0.69	\$0.70
C) Average cost per foot of sewer pipe jet cleaned	\$0.26	\$0.38	\$0.33	\$0.40	\$0.42	\$0.44	\$0.46
Workload							
All) Number of customers billed for sewer services	31,651	31,600	32,200	31,850	31,900	32,400	32,400
B) Hours of pump station maintenance per 1,000 service connections	85	63	63	65	65	68	68
B) Number of industrial waste pretreatment of systems in system	573	585	614	625	650	650	650
C) Total system miles	482	485	485	483	** 604	605	606
C) Feet of sewer pipe jet cleaned	600,546	345,937	312,174	700,000	700,000	425,000	425,000
C) Feet of sewer pipe inspected	129,656	170,000	75,581	170,000	170,000	170,000	170,000
C) Number of manholes inspected	0	5,000	714	5,000	5,000	5,000	5,000

V. PROGRAM OVERVIEW - UTILITIES

4. Program Notes:

The provision of high-quality service to our customers is a central objective of all Utility programs. Customer surveys help us measure and track customer satisfaction. The Department satisfaction rating increased in 2001 from the 2000 rating of 77% to 88% of customers who said they were fairly to very satisfied with the Bellevue Utilities Department. This is consistent with previous ratings (90% in 1997, 91% in 1998, and 86% in 1999).

Non-weather-related pump station overflows are decreasing due to capital improvements and an increased preventative maintenance program. Decreases in weather-related overflows depend upon enhanced infiltration and inflow control. (See prior program note.)

The Utility saw increases in corrective maintenance and decreases in preventative maintenance and operations. Repairs increased partly because of mainline repairs incidental to redevelopment. In 2001, the utility performed less preventative cleaning. Accessibility to cleaning points and equipment downtime impacted performance. Pump station maintenance was impacted in 1999 by the installation of new lifting equipment. The 2003-2004 budget addresses sustainable increases in preventative maintenance production levels.

The Industrial Waste program costs were impacted by resource availability in 2000 and beginning in 2002, the program shifted from inspection to certification.

Aging infrastructure is impacting costs. Maintenance costs and claims can be expected to increase in years ahead as sewer systems begin reaching the end of their reliable service life. The 2003-2004 budget addresses ways to decrease failures and minimize claims.

* 2000 actual updated.

** 2002 target updated to include laterals beginning in 2002.

V. PROGRAM OVERVIEW - UTILITIES

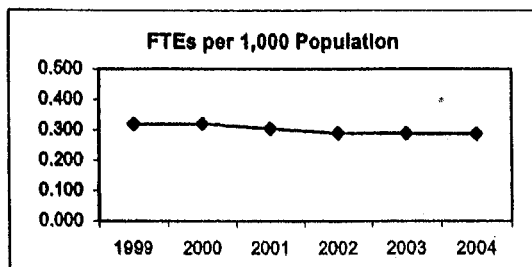
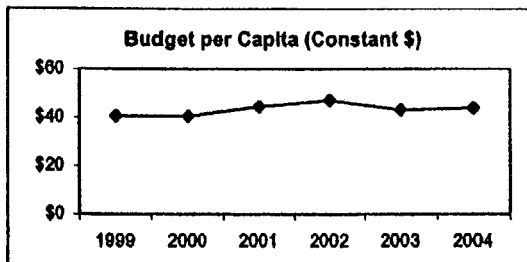
Program: Storm & Surface Water Maintenance & Operations

Description: Protect, maintain, operate, and administer the City's natural and developed storm and surface water system for the purpose of providing fishable and swimmable water, and a system which minimizes damage from storms. Ensure that systems protect water quality, enhance habitat, control flooding, and comply with state and federal requirements.

- Initiatives:**
1. Continue work on a long-term strategy to respond to increased operations and maintenance requirements resulting from regional, state and federal environmental mandates.
 2. Complete the replacement/enhancement of the Utilities Customer Information System.
 3. Continue development of renewal and replacement criteria and condition assessment programs to manage investments in utility infrastructure.
 4. Participate in local Environmental Species Act program as approved by Council and Water Resource Inventory Area 8 (WRIA 8) planning and forum process to develop a long-term salmon conservation program.
 5. Evaluate new state storm water technical requirements as federally mandated.
 6. Apply for National Pollution Discharge Elimination System Phase 2 permit for Bellevue systems as federally mandated.
 7. Influence the development of the federal total maximum daily loads regulation.

Budget (\$000s)
Reserves
Total Budget
FTEs

1999	2000	2001	2002	2003	2004
\$3,720	\$4,133	\$3,944	\$5,228	\$4,695	\$4,836
589	448	1,285	734	935	1,065
\$4,309	\$4,581	\$5,229	\$5,962	\$5,630	\$5,902
33.92	35.10	33.94	33.94	33.94	33.94

**Historical Trends**

*Fluctuations in 2002 are primarily due to planned capital expenditures, including technology investments.

*In 2003 and 2004, the budget remains fairly constant.

*Staffing levels are expected to remain at the current level.

V. PROGRAM OVERVIEW - UTILITIES**1. Desired Program Outcomes:**

- A) Maintain a customer satisfaction rating of 85% or better.
- B) Maintain a quality comprehensive storm water management program which complies with state and federal regulatory mandates and meets local needs for the safe conveyance of clean surface water.
- C) Minimize the City's liability concerns by limiting surface water system claims incurred to less than or equal to two claims per year with no single claim greater than \$20,000.

2. Activities - Services provided to achieve outcomes:

- A) Manage City's natural and developed storm and surface water system for protection of fishable and swimmable waters.
- B) Maintain and operate a system to minimize damage from storms and ensure the systems protect water quality, enhance habitat, control flooding, and comply with state and federal requirements.

3. Performance Measures:

(Note: The letter in the first column refers to its related Desired Program Outcome. Targets for 2004 do not include the Coal Creek Utility District.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Effectiveness							
A) Customer satisfaction rating	86%	77%	88%	85%	85%	85%	85%
A) Percent of time that flow is restored within 2 hours of a stoppage	93%	90%	94%	90%	90%	90%	90%
B) Percentage of private structures requiring cleaning when inspected	26%	17%	25%	22%	21%	21%	21%
B) Percentage completion of planned storm drainage pipe cleaning program	79%	100%	57%	100%	100%	100%	100%
B) Number of cited violations under the Clean Water Act	0	0	0	0	0	0	0
B) Percentage completion of planned catch basin cleaning program	132%	100%	135%	100%	100%	100%	100%
B) Percentage completion of planned catch basin repair program	102%	100%	83%	100%	100%	100%	100%
C) Number of claims paid	2	0	2	0	0	2	2
C) Number of claims greater than \$20,000	0	0	2	0	0	0	0
Efficiency							
All) Average cost per foot of drainage pipe cleaned	\$0.92	\$1.50	\$1.28	\$1.50	\$1.50	\$1.50	\$1.55
B) Average cost per catch basin cleaned	\$15.88	\$20.00	\$17.00	\$20.00	\$20.00	\$20.00	\$20.50
B) Average cost per private structure inspected	\$16.40	\$18.00	\$15.00	\$17.34	\$16.65	\$16.65	\$17.00
B) Average cost per catch basin repaired	\$226	\$250	\$301	\$230	\$230	\$290	\$300
Workload							
All) Number of customers billed for storm water services	28,773	29,100	30,100	29,100	29,200	30,200	30,200
B) Number of private structures inspected	6,594	6,198	7,634	8,000	8,500	7,700	7,700
B) Total system pipe & ditch miles	506	442	459	507	507	465	465
B) Number of catch basins repaired	265	260	217	260	260	210	200
B) Number of catch basins cleaned	3,634	3,750	5,005	3,700	3,700	4,200	4,400
B) Feet of pipe cleaned	39,338	45,000	25,877	45,000	45,000	30,000	30,000

V. PROGRAM OVERVIEW - UTILITIES

4. Program Notes:

The provision of high-quality service to our customers is a central objective of all Utility programs. Customer surveys help us measure and track customer satisfaction. The Department satisfaction rating increased in 2001 from the 2000 rating of 77% to 88% of customers who said they were fairly to very satisfied with the Bellevue Utilities Department. This is consistent with previous ratings (90% in 1997, 91% in 1998, and 86% in 1999).

The private and public storm systems continue to be effectively cleaned and functionally maintained at reasonable cost to protect the City's natural and developed storm and surface water system for fishable and swimmable purposes while minimizing damage from storms. The pipe and catch basin cleaning programs are done on an as-needed basis. In 2000, the system pipe and ditch miles reflect updated inventory information. The decrease in 2000 in the percentage of private structures requiring cleaning reflects a change in the regular inspection process, to add conveyance-only system structures, which required less cleaning in 2000. The number of private structures inspected in 2000 also decreased due to resource availability. The 2003-2004 targets for the number of private structures has been reduced to reflect better data on the total number of structures in the program. The average cost per structure inspected is expected to level out in 2003 and increase at the rate of inflation thereafter.

Regional, state and federal requirements will begin to dramatically affect ongoing operations and maintenance costs for surface water quality programs. Maintenance costs and claims can be expected to increase in years ahead as drainage systems begin reaching the end of their reliable service life.

In evaluating program performance, some tasks will show a favorable impact due to the past mild winters which allowed for increased efficiency and less disposal costs. Other tasks in the future may fall short of the target and show an increase in cost due to: a) location of system cleaning (older districts of the city require more extensive cleaning than new districts) b) traffic congestion (this will require more frequent job set up times to complete the system cleaning and repairs).

3-40

V. PROGRAM OVERVIEW - UTILITIES

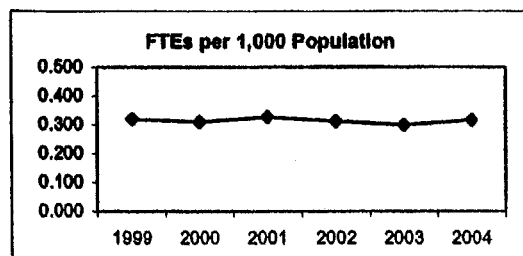
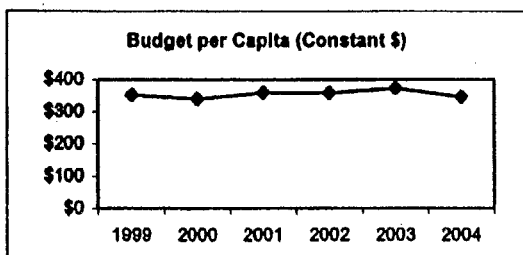
Program: Utility Improvements

Description: Build and reinvest in utility capital infrastructure. Program Elements include system planning and analysis; development, design and construction of the Capital Investment Program (CIP); and project review and construction quality control of development projects. The program is designed to protect the existing utility infrastructure investment, optimize system performance and reliability and to ensure cost effective system expansion.

- Initiatives:**
1. Complete the update of Water Comprehensive Plan.
 2. Review condition assessment practices; refine anticipated pipeline service life estimates.
 3. Invest \$19 million in utility capital infrastructure.
 4. Develop and/or update hydraulic models of major stream systems.
 5. Continue mandatory audit of federal Community Rating System program for floodplain management.
 6. Incorporate Coal Creek Utility District (CCUD) water and sewer system information into various utility data systems.

Budget (\$000s)
Reserves
Total Budget
FTEs

1999	2000	2001	2002	2003	2004
\$23,949	\$22,180	\$24,198	\$25,888	\$33,189	\$26,356
13,391	16,204	18,068	19,509	15,429	20,210
\$37,340	\$38,384	\$42,266	\$45,398	\$48,618	\$46,566
33.90	33.93	36.42	36.42	35.14	37.42



Historical Trends

*Fluctuations in the budget are due to varied levels of scheduled capital project activity in those years. The 2003 increase is due to the assumption of the Coal Creek Utility District (CCUD), the removal and replacement of the Meydenbauer reservoir, the water system security enhancement and delayed in-stream projects.

*Because the service area for this program includes populations outside the City limits for Water and Sewer, the FTE per 1,000 population is actually somewhat lower than represented in this graph.

*The reduction in 2003 is due to the Information Technology Department realignment and a program reduction. The increase in 2004 is due to the assumption of the Coal Creek Utility District.

1. Desired Program Outcomes:

- A) Ensure the continued integrity of utility infrastructure by making capital investments consistent with long-term capital plans.
- B) Develop a comprehensive plan for each utility, and update as needed to meet state requirements and local needs.
- C) Support economic growth by performing development reviews consistent with new development timeline.
- D) Increase the ability of the water system to provide 1,000 gpm fire flow from 93.5 % in 2002 to 100% by 2015.

3-41

V. PROGRAM OVERVIEW - UTILITIES**2. Activities - Services provided to achieve outcomes:**

- A) Conduct system analyses to identify system expansion and/or improvement needs.
- B) Develop and implement a Capital Investment Program to address system needs.
- C) Review and communicate timely decisions on proposed development projects.

3. Performance Measures:

(Note: The letter in the first column refers to its related Desired Program Outcome. Targets for 2004 do not include the Coal Creek Utility District.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Effectiveness							
A) Percent of projects completed within CIP budget	93%	85%	80%	100%	100%	100%	100%
A) Number of projects completed on schedule/planned completions	18/25	20/23	17/17	21/21	27/27	21/21	22/22
A) Percent of annual capital investment completed as planned	55%	52%	85%	100%	100%	100%	100%
B) FEMA Community Rating System ranking	7	6	6	6	6	6	5
C) Percent of development reviews completed within 120 days	100%	100%	100%	100%	100%	100%	100%
D) Percent of customers with at least 1,000 gpm fire flow protection	92.7%	93.1%	93.3%	93.2%	93.5%	94.0%	94.5%
Efficiency							
A) Number of CIP projects per FTE	12.2	13.6	13.4	12.6	12.0	12.5	12.5
B) Cost of system planning per \$ million of asset value	\$335	\$348	\$307	\$350	\$350	\$340	\$340
C) Number of development site reviews completed per FTE/LTE	12.0	8.7	11.0 *	12.5	11.6	13.0	13.5
Workload							
A) Number of CIP projects under design	60	75	84	63	60	65	65
A) \$ in millions of annual capital investment	\$4.9	\$5.5	\$9.0	\$9.1	\$7.6	\$11	\$8
A) Number of CIP projects under construction	31	42	64	60	49	55	55
B) \$ millions of asset value managed for reinvestment	\$1,068	\$1,104	\$1,152	\$1,133	\$1,167	\$1,186	\$1,222
C) Number of developer sites reviewed	71	111	43	70	65	43	43

4. Program Notes:

Year-to-year variances in CIP completion rates are to be expected as large projects can create expenditure peaks and valleys. Also, permit, design, and monitoring requirements associated with the Endangered Species Act (ESA) have slowed in-stream project completion. This delay, along with the removal and replacement of the Meydenbauer reservoir and the water system security enhancement caused the 2003 budget increase. The CIP expenditure level will revert back in 2004 to a more typical level. Costs for capital expenditures for regional facilities, included in wholesale costs, are not reflected in these performance measures.

Over \$24 million, representing 50% of the 2003-2009 Utility CIP, will be invested in infrastructure renewal and replacement (R&R). The percent of CIP planned for R&R is expected to increase as system expansion subsides, and prudent management of the existing system becomes the primary CIP priority.

* 2001 actual updated.

3-42

V. PROGRAM OVERVIEW - UTILITIES**4. Program Notes (continued):**

In addition to the R&R investment, other major capital projects will include: completing a project to add auxiliary power at wastewater pump stations, completing another multi-year project to replace non-standard fire hydrants, removing and replacing the Meydenbauer water storage reservoir for seismic reliability, completing upgrades to the water telemetry system, enhancing the security of water system facilities, and replacing the culverts on Kamber Road.

The FEMA Community Rating System ranking affects the cost of flood insurance premiums for the citizen of Bellevue. Communities are ranked on a 10-point scale, with 1 being the best. In 2000, an audit by FEMA of Bellevue's flood management policies and practices resulted in an improved rating (moved the rating from a 7 to a 6). The class 6 places Bellevue in the top 4% of participating communities nationwide, and Bellevue citizens within flood plains enjoy a 20% reduction in premiums.

3-43

V. PROGRAM OVERVIEW - UTILITIES

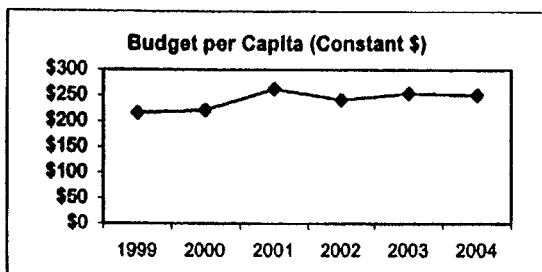
Program: Fleet & Communications Services

Description: Provide timely, cost-effective maintenance and asset management services to City departments for vehicles, specialized mechanical equipment, radios, and electronic equipment needed to support City functions. Safeguard the City's investment in equipment through asset management, maintenance, and repair services.

- Initiatives:**
1. Continue to evaluate changes in equipment technology and develop processes that will maximize their benefits.
 2. Evaluate Fleet & Communication's service delivery options.
 3. Continue to train Fleet & Communications staff to learn and maintain technical skills necessary to effectively service specialized equipment.

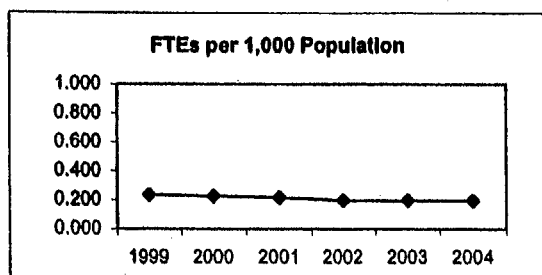
Budget (\$000s)
Reserves
Total Budget
FTEs

1999	2000	2001	2002	2003	2004
\$5,153	\$6,930	\$9,428	\$12,505	\$8,467	\$6,164
17,776	18,151	19,677	14,926	19,690	21,247
\$22,928	\$25,081	\$29,105	\$27,432	\$28,156	\$27,412
25.00	25.00	24.00	23.00	23.00	23.00

**Historical Trends**

*Reserves are budgeted in this program to fund replacement of capital equipment for City departments. Fluctuations in the budget and reserves totals are primarily due to the transfer from reserves to purchase capital equipment.

*2001 budget contains a refund of excess reserves to the General Fund.



*Staffing levels are expected to remain at the current level.

3-44

V. PROGRAM OVERVIEW - UTILITIES**1. Desired Program Outcomes:**

- A) Ensure that internal warranty service work is 1% or less of all mechanical repair services and 3% or less of all repair services performed in-house.
- B) Maintain percentage of vehicles in service at 95% or better and radios at 99% or better.
- C) Sustain maintenance cost per mile increases at no more than the annual CPI.
- D) Provide cost effective fleet and communication services that rate "good" or better with 95% or more of customer survey respondents.

2. Activities - Services provided to achieve outcomes:

- A) Provide efficient and effective installation, repair, and preventive maintenance services for fleet and radio equipment.
- B) Maximize the City's resources by effectively purchasing and disposing of City assets, including radios, vehicles, and specialized operations equipment.
- C) Work with City departments to establish funding levels and effectively plan for asset replacement.
- D) Provide effective emergency repair services for City departments.

3. Performance Measures:

(Note: The letter in the first column refers to its related Desired Program Outcome.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Effectiveness							
A) Internal warranty work as a percentage of all repairs for all vehicles and maintenance equipment.	0.9%	1.0%	0.5%	1.0%	1.0%	1.0%	1.0%
A) Internal warranty work as a percentage of all radio and other communication equipment repairs	1.1%	3.0%	0.2%	1.0%	1.0%	1.0%	1.0%
B) Average % of vehicles and equipment in service	97%	98%	96%	98%	98%	98%	98%
B) Average % of radios in service	99%	99%	99%	99%	99%	99%	99%
C) Average maintenance cost per mile for light duty vehicles	\$0.31	\$0.33	\$0.34	\$0.33	\$0.34	\$0.35	\$0.36
C) % increase in maintenance cost per mile for light duty vehicles	3.3%	3.1%	3.0%	0.0%	3.2%	2.5%	2.5%
D) % of respondents to Customer Survey rating Fleet services at "good" or "better"	NA	95%	94%	90%	90%	95%	95%
D) % of respondents to Customer Survey rating Communication services at "good" or better	NA	95%	95%	95%	95%	95%	95%
Efficiency							
B) # of light duty vehicles per Fleet Maintenance Technician	* 42.7	* 46.8	43.9	** 44.2	** 44.2	44.2	44.2
B) # of total pieces of equipment per Fleet Maintenance Technician	* 86.4	* 92.4	85.8	** 86.5	** 86.5	86.5	86.5
B) # of radios and related equipment per Communication Technician	562	547	382	279	284	289	289

3-45

V. PROGRAM OVERVIEW - UTILITIES**3. Performance Measures (continued):**

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
<u>Workload</u>							
B) # of vehicles and mechanical equipment in service	* * 778	* 832	858	* * 865	* * 865	865	865
B) # of light duty vehicles in service	* 384	* 421	439	* * 442	* * 442	442	442
B) # of radios and related electronic equipment in service	1,124	1,095	1,147	1,115	1,135	1,155	1,155

4. Program Notes:

All Fleet and Communications operating expenses are passed through to City departments that receive services from this program.

Fleet and Communication Services customer surveys are taken annually, alternating each year between Communication and Fleet operations.

The 2003 and 2004 targets for warranty work are based on the industry benchmark of 1%. The efficiency and workload measures now reflect the results of the most current inventory.

* Actuals updated to reflect most current inventory numbers.

* * Targets updated to reflect expected inventory levels.

3-4e

V. PROGRAM OVERVIEW - UTILITIES

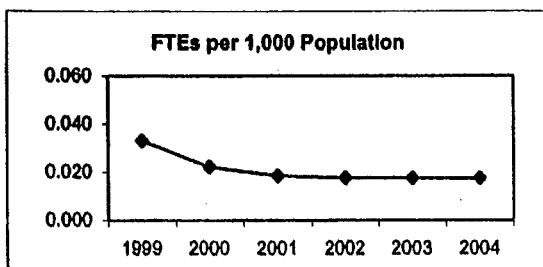
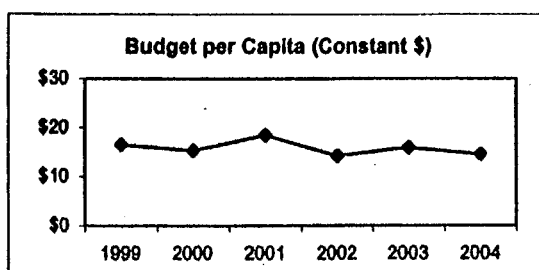
Program: Solid Waste Management

Description: Provide management services to customers for the purpose of disposing of solid wastes, minimizing costs and environmental degradation, and conserving resources. Under contractual arrangements, Eastside Disposal Service collects residential and commercial garbage, single-family and multi-family recyclables and single-family yard waste, as well as providing citywide litter control services. Technical assistance projects include: the Business Waste Management Program, waste prevention and recycling projects for household hazardous wastes, special recycling collection events, and a grasscycling program.

- Initiatives:**
1. Create scope of, procure, and implement a new Solid Waste Collection contract, which is due for renewal in 2004, including modifications to current programs.
 2. Implement enhanced recycling outreach programs consistent with the Integrated Resource Conservation Plan and new contract scope of services.

Budget (\$000s)
Reserves
Total Budget
FTEs

1999	2000	2001	2002	2003	2004
\$1,164	\$1,247	\$1,595	\$1,345	\$1,472	\$1,460
586	478	577	454	607	493
\$1,750	\$1,725	\$2,172	\$1,799	\$2,079	\$1,953
3.50	2.42	2.05	2.05	2.05	2.05



Historical Trends

*The increase in 2001 is largely due to grant activity.

*The decline in 2000 is due to the reallocation of administrative support staff to other programs as a result of 1999 Strategic Plan reorganization decisions. Staffing levels are expected to remain at the current level.

1. Desired Program Outcomes:

- A) Maintain our customer satisfaction rating of 85% or better.
- B) Meet state goal of recycling 50% of generated solid waste.
- C) Conserve resources and reduce environmental degradation by maintaining single-family household waste generation below 300 lbs./household/month.

3-47

V. PROGRAM OVERVIEW - UTILITIES**2. Activities - Services provided to achieve outcomes:**

- A) Provide management services to customers for disposing of wastes, minimizing costs and environmental degradation and conserving resources. These services include: residential/commercial garbage collection, single-/multi-family recycling, single-family yard waste and citywide litter control services.
- B) Develop and implement technical assistance projects such as the Business Waste Management Program, waste prevention and recycling projects for household hazardous wastes, special recycling collection events, and grasscycling program.

3. Performance Measures:

(Note: The letter in the first column refers to its related Desired Program Outcome.)

	1999 Actual	2000 Actual	2001 Actual	2001 Target	2002 Target	2003 Target	2004 Target
Effectiveness							
A) Customer satisfaction rating	89%	77%	88%	85%	85%	85%	85%
B) Multi-family and business recycling rate	22%	19%	22%	25%	25%	20%	20%
B) Combined business and residential recycling rate	32%	30%	35%	35%	35%	35%	35%
B) Single-family residential recycling rate (% of tons of waste recycled)	61%	59%	57%	60%	60%	60%	59%
C) Average monthly single-family waste generation (lbs/household)	293	274	276	285	285	285	285
Efficiency							
B) Annual cost/customer - single-family residential recyclables collection	\$68	\$74	\$68	\$83	\$85	\$75	\$78
C) Annual cost/customer - multi-family and business garbage collection	\$3,952	\$4,250	\$4,490	\$4,500	\$4,500	\$4,700	\$4,900
C) Annual cost/customer - single-family residential yard waste collection	\$84	\$90	\$82	\$97	\$100	\$90	\$95
C) Annual cost/customer - single-family residential garbage collection	\$145	\$158	\$144	\$152	\$155	\$160	\$165
All) Admin costs as a percent of Eastside Disposal Revenue	2.05%	1.50%	2.05%	2.10%	2.25%	2.25%	2.20%
Workload							
A) Average percentage of successful pickups	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%
B) Tons of recyclables collected multi-family	2,523	2,624	2,584	2,600	2,700	2,700	2,700
B) Tons of recyclables collected single-family	11,466	11,527	11,388	12,250	12,500	11,600	11,600
C) Tons of garbage collected single-family	17,090	17,316	18,297	17,500	17,750	18,250	18,250
C) Tons of yard waste collected single-family	14,505	12,458	12,333	14,750	14,750	14,500	14,500
All) Tons of garbage collected multi-family and businesses	78,699	82,177	73,823	82,000	84,000	80,000	82,000

3-48

V. PROGRAM OVERVIEW - UTILITIES

4. Program Notes:

The provision of high-quality service to our customers is a central objective of all Utility programs. Customer surveys help us measure and track customer satisfaction. The Department satisfaction rating increased in 2001 from the 2000 rating of 77% to 88% of customers who said they were fairly to very satisfied with the Bellevue Utilities Department. This is consistent with previous ratings (90% in 1997, 91% in 1998, and 86% in 1999). Surveys indicate that recycling services are important to residents and that satisfaction with Bellevue's service is high.

Increases in residential recycling collection (tonnage) have leveled off and significant future annual gains are not expected. Greater emphasis needs to be focused on business waste prevention and recycling programs to maintain our current 22% waste diversion goal for those programs. Regional and national trends indicate declining diversion rates. Annual costs of residential recycling collection per customer are impacted by changing conditions in the market for recycled materials and private contractor decisions beyond City control.

Yard waste tons collected may fluctuate from year to year based on weather. Business garbage volumes appear to fluctuate with economic trends.

Average per capita annual waste generation is expected to continue to climb. Continuing efforts to enhance and promote current recycling programs and customer participation rates will be needed to mitigate potential future impacts.

VI. 2003-2004 CIP PLAN PROJECTS - UTILITIES

The table below presents the 2003-2004 funded projects from the 2003-2009 Capital Investment Program (CIP) Plan for this department. The table displays the CIP Plan number, project name, the estimated 2003-2004 project cost, and the total estimated cost for the project. A project status indicator is also provided to gauge a project's current status. For further information on any CIP project, please refer to the 2003-2009 Capital Investment Program Plan.

WATER

CIP Plan Number	Project Name	Project Status	\$ in 000s	
			2003-2004 Project Cost	Total Estimated Cost
W-16	Small Diameter Water Main Replacement	O	\$2,310	\$23,374
W-67	Pressure Reducing Valve and Commercial Meter Rehabilitation	O	463	2,914
W-68	Water Service Extension	O	920	3,634
W-69	Minor Water Capital Improvement Projects	O	360	3,667
W-82	Fire Hydrant Improvements	AB	220	958
W-85	Structural/Seismic Reservoir Rehabilitation	O	4,037	9,036
W-87	Rosemont Asbestos Cement Water Main Replacement	ANB	735	735
W-90	Water Telemetry Upgrades	AB	305	650
W-92	Reservoir Water Quality Upgrades	AB	280	590
W-94	Emergency Generator Connections	AB	80	125
W-95	Water System Security Enhancements	N	550	550
TOTAL WATER			\$10,260	\$46,233

SEWER

CIP Plan Number	Project Name	Project Status	\$ in 000s	
			2003-2004 Project Cost	Total Estimated Cost
S-16	Sewage Pump Station Improvements	AB	\$1,000	\$7,859
S-24	Sewer System Pipeline Rehabilitation	O	830	7,403
S-30	Sewer Service Extension	O	710	8,253
S-32	Minor Sewer Capital Improvement Projects	O	230	1,943
S-50	Bogline Lift Station	ANB	360	415
S-51	Auxiliary Power Upgrades at Sewage Pump Stations	AB	70	134
TOTAL SEWER			\$3,200	\$26,007

Project Status Key:

AB = Approved and Begun

O = Ongoing

ANB = Approved and Not Begun

N = New

VI. 2003-2004 CIP PLAN PROJECTS - UTILITIES**STORM DRAINAGE**

CIP Plan Number	Project Name	Project Status	\$ In 000s	
			2003-2004 Project Cost	Total Estimated Cost
D-59	Minor Storm & Surface Water Capital Improvement Projects	O	\$180	\$1,373
D-62	Kelsey Creek Fishway Replacement	AB	444	503
D-64	Stormwater System Conveyance Infrastructure Rehabilitation Program (IRP)	O	806	7,290
D-65	Neighborhood Enhancement Program (NEP)	O	60	375
D-69	Coal Creek Stabilization	AB	440	962
D-71	Richards Creek Culvert Reconstruction	AB	950	1,247
D-72	Lower Coal Creek Improvements	AB	65	736
D-74	Lower Newport Stream Channel Modification	AB	162	316
D-77	Kelsey Creek Basin Storm Drainage Improvements	AB	130	221
D-78	Lakehurst Creek Channel Stabilization	AB	112	184
D-79	Petroleum Treatment Facilities	AB	135	885
D-80	Meydenbauer Creek Erosion Control	AB	163	275
D-81	Fish Passage Improvement Program	O	540	1,488
D-83	Rosemont Beach Storm Drainage Improvements	AB	140	221
D-84	Future Basin Plan Capital Projects	O	150	1,294
D-86	Stream Channel Modification Program	O	230	1,568
D-89	Sunset Creek/I-90 Outfall Channel Improvements	ANB	50	236
D-90	Richards Creek/East Creek Flow Mgmt Project	AB	390	553
D-91	Richards Creek Culvert Replacement at Bannerwd Pk	AB	166	566
D-92	Retrofit Regional Detention Facilities for Improved Water Quality	O	190	1,147
D-93	Lake Sammamish Emergency Culvert Replacement	AB	2	302
TOTAL STORM DRAINAGE			\$2,021	\$21,742

GENERAL GOVERNMENT

CIP Plan Number	Project Name	Project Status	\$ In 000s	
			2003-2004 Project Cost	Total Estimated Cost
G-41	Fleet & Communications Maintenance Shops Co-location	AB	\$2,019	\$2,058
TOTAL GENERAL GOVERNMENT			\$2,019	\$2,058

Project Status Key:

AB = Approved and Begun

O = Ongoing

ANB = Approved and Not Begun

N = New

UTILITIES
FINANCIAL SUMMARY
 \$000

<u>Resources by Source</u>	COMPARISON			
	<u>2001-2002 Budget</u>	<u>2003-2004 Budget</u>	<u>\$ Change</u>	<u>% Change</u>
Beginning Fund Balance	\$43,214	\$40,086	(\$3,128)	(7.2%)
Restricted Revenues:				
Licenses & Permits	177	150	(27)	(15.2%)
Grants	939	316	(623)	NA
Intergovernmental Revenues	230	0	(230)	NA
Utility Services Fees	104,915	125,467	20,552	19.6%
Other Utility Services Fees	5,960	9,663	3,703	62.1%
Charges for Services	12,305	13,407	1,101	9.0%
Sale of Assets	30	257	227	756.7%
Miscellaneous Revenues	11,378	5,359	(6,019)	(52.9%)
Operating Transfers	17,598	23,376	5,778	32.8%
Unrestricted Revenues	<u>2,777</u>	<u>9,426</u>	<u>6,648</u>	<u>239.4%</u>
Total Revenues	156,310	187,422	31,112	19.9%
Total Resources	<u>\$199,524</u>	<u>\$227,507</u>	<u>\$27,984</u>	<u>14.0%</u>
<u>Expenditures and Ending Fund Balance</u>				
Operating:				
Sewer Utility Fund	\$48,232	\$56,560	\$8,328	17.3%
Storm & Surface Water Utility Fund	19,285	20,536	1,251	6.5%
Water Utility Fund	44,168	57,308	13,140	29.8%
Equipment Rental Fund	19,875	12,612	(7,263)	(36.5%)
Solid Waste Fund	2,275	2,281	6	0.3%
Special, Non-Operating Funds:				
LID Control Fund	68	16	(53)	NA
Operating Grants & Donations	644	627	(17)	(2.6%)
Utility Revenue Bond Redemption	5,398	4,253	(1,145)	(21.2%)
Capital Investment Plan Budget:				
General CIP Fund	2,066	2,019	35	NA
Utility CIP Fund	<u>17,427</u>	<u>22,388</u>	<u>4,961</u>	<u>28.5%</u>
Subtotal Expenditures	159,438	178,599	19,161	12.0%
Ending Fund Balance	<u>40,086</u>	<u>48,909</u>	<u>8,823</u>	<u>22.0%</u>
Total Expenditures and Ending Fund Balance	<u>\$199,524</u>	<u>\$227,507</u>	<u>\$27,984</u>	<u>14.0%</u>

CITY OF BELLEVUE

UTILITIES DEPARTMENT

DIRECTOR
Lloyd Warren

Sewer Utility Fund, Storm & Surface Water Utility Fund,
Water Utility Fund, Solid Waste Fund, Fleet & Communications

DEPUTY DIRECTOR
Brad Miyake

COMMUNITY AFFAIRS
Wendy Skony

BUSINESS ADMINISTRATION
Nav Otal

Financial Management
Accounts Payable & Receivable
Budget Development & Monitoring
Payroll & Personnel Management
Rate Studies & Development
Financial Forecasts
Customer Service, Systems, & Administrative Support
Central Reception & Administration
Customer Accounts & Service Senior/Disabled Discounts Program
Utility Billing & Collection Automation
Automation Planning
Database Management
Systems Evaluation & Implementation

ENGINEERING
Wes Jorgenson

Design Services
CIP Implementation
Project Design
Project Management
Automation
AutoCad Design
Engineering Standards
Construction Services
CIP Inspection
Contract Management
Development Inspection
System & Program Planning
CIP Development
Comprehensive Planning
Condition Assessment
System Mapping & Analysis Services:
GIS & AutoCad
Development Review
Developer Extensions
Permit Center
Permit Review & Administration

ENVIRONMENTAL DIVISION
Damon Dlessner

Drainage & Solid Waste Systems Management
Private Systems Inspection
Surface Water Quality & Quantity Control
Source Control
Clean Water Act & Puget Sound Plan Compliance
Solid Waste Planning & Services
Garbage/Recycling/Yard Waste Resource Management
Drinking Water Quality
Water Conservation
Stream Team
Business Partners
Recycling Education
Intergovernmental
Endangered Species Act Response—Citywide & regional
Regional Waste Water Planning
Water Supply Planning
Regional Watershed participation
Legislative Issue Tracking
Environmental Compliance
Intergovernmental Water Quality Enforcement
Hazardous Waste Disposal
Space Issues
Property Management
Streams Systems Management
Streams and Habitat Monitoring
Salmon Monitoring
Technical Interdepartmental Coordination
Technical Regional Coordination

OPERATIONS & MAINTENANCE
Denny Vidmar

Services Management
Customer Services/Work Request Program
Labor Relations/Personnel Management
Operations & Safety Training
Stockroom & Inventory Control
Work Program Planning
Direct Field Services—Water, Sewer, Storm & Surface Water, and Streets
Preventive Maintenance, Repair & Construction
Service Installations
System Operations & Control
Flood Control
Emergency Response
Private Systems Advice
System Location Services
Meter Reading
Vegetation Management
Traffic Control Markings & Signs
Direct Internal Services—Fleet & Communications
Fleet & Communication System Maintenance & Repair
Fleet & Electronic Equipment Replacement Management
Motor Pool Management
Fuel Management

28-27

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

2003 Performance Measures Report

STAFF CONTACT

Jan Hawn, Finance Director, 425-452-6846
Rich Siegel, Performance and Outreach Coordinator, 452-7114

POLICY ISSUES

This subject provides an informational update to the Council and public on Bellevue's service delivery performance in 2003. Information on Bellevue "vital signs" for 2003 and resident feedback from the 2003 annual Performance Measures Survey will be included. The ensuing discussion may raise policy issues that warrant action.

DIRECTION NEEDED FROM COUNCIL

☐ Action
☒ Discussion
☐ Information

BACKGROUND/ANALYSIS

Performance data from the 2003 Annual Performance Report will be presented. Our purpose in sharing these indicators of performance at this time is to enhance our accountability and continue to improve the quality and efficiency of our service delivery.

The City of Bellevue uses performance data as a tool to gauge program efficiency and effectiveness and to provoke discussions and opportunities to make operational improvements.

The Annual Performance Measures Report discusses 16 "vital signs" that, when looked at together, provide a sense of the health of the City. "Vital signs" are presented for the seven years of data collection along with a brief discussion. The remainder of the report contains departmental "scorecards" and discussions that show how a department fared in relation to performance targets established for the year and in comparison to the two most recent fiscal years actual performance. Line managers use the data to evaluate their programs and suggest operational changes and/or improvements for subsequent budget periods.

We will be presenting a broad overview of the 2003 Annual Performance Report and informing you of the recent grant to the City of Bellevue from the National Center for Civic Innovation at the June 28

Study Session. Bellevue is one of five “trailblazing” cities to receive the first-round award. The purpose of the award is to enhance communication with residents regarding performance measurement and to improve our performance reporting. Materials have been provided separately. Departmental representatives will be available to respond to questions raised at the Study Session.

ALTERNATIVES

No decision is requested, so no alternatives are proposed.

RECOMMENDATION

No decision is requested, so no recommendation is proposed.

ATTACHMENTS (distributed separately)

2003 Annual Performance Report

2003 Performance Measures Survey Report of Findings

Version: June 24, 11:18 am

3-55

CITY COUNCIL BUDGET REVIEW SESSION ITEM**SUBJECT:**

2005-2011 General CIP Plan Early Outlook

STAFF CONTACT:

Jan Hawn, Finance Director 452-6846
Joe Guinasso, Assistant Finance Director 452-4481
Jonathan Swift, Budget Manager 452-7863

POLICY ISSUES:

The 2005-2011 General CIP Plan Early Outlook is a building block of the Budget process. It provides an update of revenue projections, cost estimates for projects in the 2003-2009 CIP Plan that are not yet completed, and identifies funding available for new projects.

During the July 12, 2004 Budget Retreat, Council will be asked to provide direction as to which of the alternatives regarding the level of interim borrowing (outlined below) they would like staff to pursue.

Also at that time, Council may direct staff to reprioritize projects currently in the CIP Plan or add projects that are not currently programmed in the CIP Plan .

BACKGROUND/ANALYSIS:

The Early Outlook incorporates a revision of revenue estimates and a preliminary recosting of all uncompleted projects from the 2003-2009 CIP Plan, including adding two new years to all ongoing projects. It is important to stress that the Early Outlook is preliminary and staff continues to refine and update project cost and revenue estimates based on more comprehensive information throughout the budget process.

The Early Outlook Forecast results show that revenues are expected to be sufficient to cover the completion of projects in the current 2003-2009 CIP Plan and two additional years of ongoing projects. Approximately \$24 million to \$27 million of funding for new projects is projected to be available in the latter years of the 2005-2011 CIP Plan.

The development of the 2005-2011 CIP Plan differs from past updates in that the City must consider the impacts that interim borrowing has on the Plan. The 2003-2009 CIP Plan is a balanced seven-year plan where expenditures are programmed in excess of anticipated resources in the early years of the Plan, thus accelerating delivery of large public projects and minimizing the effect of inflation on project costs. Conversely, in the later years of the Plan, resources exceed expenditures. Any imbalance between revenues and expenditures during a particular year is corrected through the use of interim financing, which is repaid during the later years of the Plan.

On November 3, 2003, Council authorized the establishment of a \$35 million line of credit for a five-year term for the purposes of financing cash flow borrowing in the CIP

Plan. The line of credit was anticipated to meet the Plan's financing needs through the first two years of the Plan (2003-2004) with the intent that staff would return to Council during the development of the 2005-2011 Plan to consider further borrowing.

ALTERNATIVES:

Staff has developed the following three alternatives for Council to consider when determining the level of interim borrowing and the impact it will have on the timing of delivering projects:

Alternative A – Base Update: This alternative includes all of the projects currently in the 2003-2009 CIP Plan as adjusted during preliminary recosting. This is considered the base from which we start and does not consider limitations of interim borrowing. This alternative anticipates total interim borrowing of up to \$48 million and is fully repaid in 2010 (seven-year term).

Alternative B - \$35 Million/Payback in 2008: This alternative is bound by the current terms of the line of credit. Interim borrowing is limited to \$35 million and is fully repaid in 2008 (five-year term). Approximately \$23 million of projects programmed in 2005 through 2007 would be deferred and reprogrammed beginning in 2009.

Alternative C - \$35 Million/Payback in 2009 [STAFF RECOMMENDATION]: This alternative limits interim borrowing to \$35 million and is fully repaid in 2009 (six-year term). This assumes extending the term of the current line of credit by one year. Approximately \$17 million of projects programmed in 2005 and 2006 would be deferred and reprogrammed beginning in 2007.

These alternatives are discussed in detail in *Attachment 1 – CIP Plan Programming Alternatives*.

When considering adding new projects to the 2005-2011 CIP Plan, Council may direct staff to:

- 1) Add new projects in the latter years of the Plan when uncommitted revenues are available.
- 2) Increase the amount of interim borrowing in the earlier years of the Plan to program the new projects in those years.
- 3) Reprioritize projects that are currently in the Plan to accommodate new projects of a higher priority.
- 4) Pursue additional funding.

ATTACHMENT(S):

1. 2005-2011 General CIP Plan Programming Alternatives
2. Alternative C – Proposed Project Deferrals
3. Resources and Expenditures Update
4. Interim Borrowing in the CIP Plan
5. CIP Cash Flow Modeling
6. Project Status Matrices and Maps

Attachment 1

2005-2011 General CIP Plan Programming Alternatives

Staff has identified three alternatives for Council to consider when developing the 2005-2011 CIP Plan. These alternatives provide for different options to address the use of interim borrowing. More detail information on these three alternatives is provided in the following sections of this attachment.

Alternative A – Base Update: This alternative includes all of the projects currently in the 2003-2009 CIP Plan as adjusted during preliminary recosting. This is considered the base from which we start and does not consider limitations of interim borrowing. This alternative anticipates total interim borrowing of up to \$48 million and is fully repaid in 2010 (seven-year term).

Alternative B - \$35 Million/Payback in 2008: This alternative lives within the current terms of the line of credit. Interim borrowing is limited to \$35 million and is fully repaid in 2008 (five-year term). Approximately \$23 million of projects programmed in 2005 through 2007 would be deferred and reprogrammed beginning in 2009.

Alternative C - \$35 Million/Payback in 2009 [STAFF RECOMMENDATION]: This alternative limits interim borrowing to \$35 million and is fully repaid in 2009 (six-year term). This assumes extending the term of the current line of credit by one year. Approximately \$17 million of projects programmed in 2005 and 2006 would be deferred and reprogrammed beginning in 2007.

The following table provides an overview of the key elements of the alternatives:

Alternative	Project Deferrals/ Deletions	Maximum Amount of Borrowing	Total Interest Expense	Year Borrowing Is Paid Off	Available/Uncommitted Funding			
					2009	2010	2011	05-11 Total
A. Base Update	No	\$48.0	\$4.2	2010	\$0.0	\$7.9	\$16.0	\$23.9
B. \$35 Million/2008	Yes	\$35.0	\$2.4	2008	\$7.7	\$6.0	\$13.4	\$27.1
C. \$35 Million/2009	Yes	\$35.0	\$3.1	2009	\$2.4	\$9.8	\$14.4	\$26.6

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Attachment 1

Alternative A – Base Update

This alternative allows for the completion of projects in the 2003-2009 CIP Plan according to the updated project schedules. The projects are programmed based on the results of preliminary recosting (refer to *Attachment 6 – Project Status Matrices and Maps* for a complete listing of the projects included in the Plan). This alternative assumes that no projects are deferred or deleted.

Interim Borrowing

This alternative assumes a maximum amount of borrowing of \$48.0 million resulting in total interest expense of \$4.2 million. The line of credit is fully repaid in 2010 reflecting a seven-year payback period.

Project Deferrals/Deletions

No projects currently in the 2003-2009 CIP Plan (adjusted during preliminary recosting) are impacted in this alternative.

Funding Available for New Projects

Funding for new projects becomes available in 2010 after the line of credit is fully repaid.

<u>Year</u>	<u>New Funding</u>
2010	\$7.9 million
2011	\$16.0 million
Total	\$23.9 million

The following table illustrate the estimated revenue collections and project expenditures. This alternative projects the draw on the line of credit increasing to \$48 million in 2006 before revenue collections exceed expenditures beginning in 2007. The line of credit is fully repaid in 2010.

2005-2011 General CIP Plan Cash Flow Model
Alternative A – Base Update

	2005	2006	2007	2008	2009	2010	2011
Estimated Resources	\$33.3	\$29.2	\$28.9	\$30.5	\$33.3	\$32.7	\$35.2
Capital Project Expenditures	(55.8)	(28.9)	(17.3)	(14.6)	(14.6)	(29.1)	(35.2)
Interest Expense	(0.9)	(1.1)	(1.0)	(0.7)	(0.2)	0.0	0.0
Annual Variance	(\$23.3)	(\$0.9)	\$10.5	\$15.3	\$18.5	\$3.6	(\$0.0)
Line of Credit Balance	\$47.1 ¹	\$48.0	\$37.4	\$22.1	\$3.6	\$0.0	\$0.0

¹ Includes \$23.7 million of borrowing through 2004 plus the additional \$23.3 million of borrowing in 2005.

Attachment 1

Alternative B – \$35 million/Payback in 2008

This alternative is bound by the current terms of the line of credit which limits the amount of borrowing to \$35 million with full repayment of the line of credit within five years (2008). Approximately \$23 million of project expenditures are deferred from 2005 through 2007 and are not programmed until 2009. Project expenditures and revenues are balanced beginning in 2009.

The list of projects that staff proposes for deferral to meet the \$35 million borrowing limit under Alternative C is reflective of the projects that would be deferred under this alternative. However, rather than deferring those projects for one or two years, in order to assure that the line of credit is fully repaid by the end of 2008 these projects would need to be deferred further out in the Plan to 2009. If Council directed staff to pursue this alternative, approximately \$3 million of additional project deferrals will need to be identified.

Interim Borrowing

This alternative assumes a maximum amount of borrowing of \$35.0 million resulting in total interest expense of \$2.4 million. The line of credit is fully repaid in 2008 reflecting a five-year payback period.

Funding Available for New Projects

Funding for new projects becomes available in 2009 after the line of credit is fully repaid.

<u>Year</u>	<u>New Funding</u>
2009	\$7.7 million
2010	\$6.0 Million
2011	<u>\$13.4 million</u>
Total	\$27.1 million

The following table illustrate the estimated revenue collections and project expenditures. This alternative projects the draw on the line of credit increasing to \$34.4 million in 2005 before revenue collections exceed expenditures beginning in 2006. The line of credit is fully repaid in 2008.

2005-2011 General CIP Plan Cash Flow Model
Alternative B – \$35 million/Payback in 2008

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Estimated Resources	\$33.3	\$29.2	\$28.9	\$30.5	\$33.3	\$32.7	\$35.2
Capital Project Expenditures	(43.9)	(22.5)	(14.0)	(16.4)	(33.3)	(32.7)	(35.2)
Interest Expense	(0.7)	(0.8)	(0.5)	(0.1)	0.0	0.0	0.0
Annual Variance	<u>(\$11.3)</u>	<u>\$5.9</u>	<u>\$14.4</u>	<u>\$14.1</u>	<u>(\$0.0)</u>	<u>(\$0.0)</u>	<u>(\$0.0)</u>
Line of Credit Balance	\$34.4 ¹	\$28.5	\$14.1	\$0.0	\$0.0	\$0.0	\$0.0

¹ Includes \$23.1 million of borrowing through 2004 plus the additional \$11.3 million of borrowing in 2005.

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Attachment 1

Alternative 3 – \$35 million/Payback in 2009 [STAFF RECOMMENDATION]

This alternative meets the objectives of (1) minimizing borrowing costs, (2) minimizing the impact on project delivery, and (3) better aligns expenditures with available resources as project expenditures occur more evenly (relative to the other alternatives) over the life of the Plan.

This alternative assumes that approximately \$17 million of projects programmed in 2005 and 2006 would be deferred and reprogrammed beginning in 2007. Project expenditures and revenues are balanced beginning in 2010. The following section contains a detailed list of projects that staff proposes for deferral to meet the \$35 million borrowing limit.

Interim Borrowing

This alternative assumes a maximum amount of borrowing of \$35.0 million resulting in total interest expense of \$3.1 million. The line of credit is fully repaid in 2009 reflecting a six-year payback period.

Funding Available for New Projects

Funding for new projects becomes available in 2009 after the line of credit is fully repaid.

<u>Year</u>	<u>New Funding</u>
2009	\$2.4 million
2010	\$9.8 million
2011	\$14.4 million
Total	\$26.6 million

The following table illustrate the estimated revenue collections and project expenditures. This alternative projects the draw on the line of credit increasing to \$35 million in 2006 before revenue collections exceed expenditures beginning in 2007. The line of credit is fully repaid in 2009.

2005-2011 General CIP Plan Cash Flow Model
Alternative C – \$35 million/Payback in 2009

	2005	2006	2007	2008	2009	2010	2011
Estimated Resources	\$33.3	\$29.2	\$28.9	\$30.5	\$33.3	\$32.7	\$35.2
Capital Project Expenditures	(44.1)	(28.7)	(20.5)	(16.1)	(19.8)	(32.7)	(35.2)
Interest Expense	(0.7)	(0.8)	(0.7)	(0.4)	(0.1)	0.0	0.0
Annual Variance	(\$11.5)	(\$0.4)	\$7.6	\$14.0	\$13.4	(\$0.0)	(\$0.0)
Line of Credit Balance	\$34.6 ¹	\$35.0	\$27.4	\$13.4	\$0.0	\$0.0	\$0.0

¹ Includes \$23.1 million of borrowing through 2004 plus the additional \$11.5 million of borrowing in 2005.

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Attachment 2

Alternative C – Proposed Project Deferrals

Section 1: Summary

Transportation Projects (10 project deferrals)

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	12,425	1,012	1,278					14,715
Proposed Budget	591	5,996	5,063	1,282	540	332	911	14,715
Change	(11,834)	4,984	3,785	1,282	540	332	911	0

Parks Projects (3 project deferrals)

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	1,436	859	86	87	88	69	71	2,696
Proposed Budget			86	87	1,718	605	771	3,267
Change	(1,436)	(859)	0	0	1,630	536	700	571

Note: Parks deferral of \$571K in 2004

Community Development Projects (1 project deferral)

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget		1,200						1,200
Proposed Budget					1,200			1,200
Change	0	(1,200)	0	0	1,200	0	0	0

Neighborhood Investment Strategy Projects (1 project reduction)

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	456	2,285						2,741
Proposed Budget		1,175						1,175
Change	(456)	(1,110)	0	0	0	0	0	(1,566)

Total General CIP Plan (14 project deferrals/1 project reduction)

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	60,666	24,208	15,285	14,085	14,573	18,631	19,107	166,554
Proposed Budget	46,940	26,023	19,070	15,367	17,943	19,499	20,718	165,559
Change	(13,726)	1,815	3,785	1,282	3,370	868	1,611	(995)

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Attachment 2

Alternative C – Proposed Project Deferrals

Section 2: Project List by Program Area

Transportation Projects

PW-I-90 148th Avenue SE/Lake Hills Boulevard

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget		155	366					521
Proposed Budget			155	366				521
Change	0	(155)	(211)	366	0	0	0	0

PW-I-91 124th Avenue NE/Bel-Red Road – Design Report

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	107							107
Proposed Budget				107				107
Change	(107)	0	0	107	0	0	0	0

PW-R-122 130th Avenue NE Improvements

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	174							174
Proposed Budget			174					174
Change	(174)	0	174	0	0	0	0	0

PW-R-139 110th Avenue NE – NE 4th Street to NE 8th Street

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	1,091	548	912					2,551
Proposed Budget	551	217			540	332	911	2,551
Change	(540)	(331)	(912)	0	540	332	911	0

PW-R-146 Northup Way Corridor Improvements – Design Report

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	127	309						436
Proposed Budget			127	309				436
Change	(127)	(309)	127	309	0	0	0	0

PW-M-14 NE 10th Street/176th Ave NE/NE 13th – Northup Way to NE 15th Place

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	899							899
Proposed Budget	40		859					899
Change	(859)	0	859	0	0	0	0	0

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Attachment 2

PW-W/B-70 140th Avenue NE Pathway Improvements

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	919							919
Proposed Budget			919					919
Change	(919)	0	919	0	0	0	0	0

PW-R-118 SE 16th Street Improvements

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	3,507							3,507
Proposed Budget		3,507						3,507
Change	(3,507)	3,507	0	0	0	0	0	0

PW-R-128 Forest Drive Improvements

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	2,272							2,272
Proposed Budget		2,272						2,272
Change	(2,272)	2,272	0	0	0	0	0	0

PW-R-133 Northup Way – 120th to 124th Avenues NE

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	3,329							3,329
Proposed Budget			2,829	500				3,329
Change	(3,329)	0	2,829	500	0	0	0	0

Parks Projects

P-AD-34 Trail Development

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	86	86	86	87	88	69	71	573
Proposed Budget			86	87	158	155	157	643
Change	(86)	(86)	0	0	70	86	86	70

Note: P-AD-34 includes a \$70K deferral in 2004

P-AD-65 Kelsey Creek Park Stream Restoration

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	900	159						1,059
Proposed Budget					1,059			1,059
Change	(900)	(159)	0	0	1,059	0	0	0

Attachment 2

P-R-11 Renovation & Refurbishment of Park Facilities

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	450	614						1,064
Proposed Budget					501	450	614	1,565
Change	(450)	(614)	0	0	501	450	614	501

Note: P-R-11 includes a \$501K deferral in 2004

Community Development Projects

CD-18 Meydenbauer Marina to Downtown Link

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget		1,200						1,200
Proposed Budget					1,200			1,200
Change	0	(1,200)	0	0	1,200	0	0	0

Neighborhood Investment Strategy Projects

NIS-1 (T002) 145th Sidewalk Project

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	456	2,285						2,741
Proposed Budget		1,175						1,175
Change	(456)	(1,110)	0	0	0	0	0	(1,566)

Attachment 2

Alternative C – Proposed Project Deferrals

Section 3: Project Detail

Transportation Projects

PW-I-90 148th Avenue SE/Lake Hills Boulevard

Project Description: Lengthen the westbound left turn lane from Lake Hills Blvd. to 148th Avenue SE from 75 feet to approximately 250 feet and/or convert the existing through/right turn lane to a left turn/through/right turn lane. The project will also construct new sidewalks where missing on the north side and reconstruct sidewalks on the south side of Lake Hills Blvd to the east of 148th Avenue SE, convert the existing diagonal crosswalk across 148th Avenue SE to a new crosswalk across the north leg, and include transit signal priority treatments to the traffic signal equipment. Transit signal priority improvements will also be evaluated at other intersections along 148th Avenue as recommended by the 2002 Bellevue Transit Study update.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget		155	366					521
Proposed Budget			155	366				521
Change	0	(155)	(211)	366	0	0	0	0

Impact: This is a design project that has not yet begun. Due to regional economic conditions and the associated reduction in traffic volumes, the project need is not as great in the near term.

PW-I-91 124th Avenue NE/Bel-Red Road – Design Report

Project Description: Prepare a Design Report investigating the following potential improvements: widening the 124th Avenue NE/Bel-Red Road intersection to provide a second westbound left turn lane and a southbound right turn lane; widening 124th Avenue NE for a second southbound lane between Bel-Red Road and Old Bel-Red Road; upgrading the signal equipment; and providing new curb, gutter and sidewalk where widening occurs. The project will include the development of a preliminary design and detailed cost estimates for partial, phased and/or complete implementation of the improvements.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	107							107
Proposed Budget				107				107
Change	(107)	0	0	107	0	0	0	0

Impact: This project that has not yet begun. The current project budget (reflecting recosting) assumes funding for pre-design/alternatives analysis.

Attachment 2

PW-R-122 130th Avenue NE Improvements

Project Description: This project will prepare a design report for the construction of a two-way left-turn lane on 130th Avenue NE from Bel-Red Road to NE 20th Street, widened lanes for bicycles with curb, gutter, and sidewalks on both sides. The design report will bring the design to the 30 percent completion level, evaluate implementation phasing options and develop detailed cost estimates for the improvements.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	174							174
Proposed Budget			174					174
Change	(174)	0	174	0	0	0	0	0

Impact: This is a design project that has not yet begun. The current project budget (reflecting recosting) assumes programming for only a portion of the project design.

PW-R-139 110th Ave NE – NE 4th Street to NE 8th Street

Project Description: This project will provide for design and construction of widening 110th Avenue NE from four lanes at NE 4th Street to five lanes at NE 6th Street, and design only for a five-lane section from NE 6th Street to NE 8th Street. Also included will be curb/gutter/sidewalk, illumination, storm drainage, detention, signal modifications at NE 4th Street and NE 8th Street (design only at NE 8th Street), and enhancing/upgrading the existing pedestrian crossing mid-block between NE 4th Street and NE 6th Street to include overhead signing. This project will match improvements built as part of the Bellevue Transit Center project.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	1,091	548	912					2,551
Proposed Budget	551	217			540	332	911	2,551
Change	(540)	(331)	(912)	0	540	332	911	0

Impact: The design for Phase II of this project has not yet begun. Deferring a portion of this project will allow for the frontage improvements on the east side of 110th Avenue NE from NE 4th to NE 6th to be designed and constructed in conjunction with the renovation of the New City Building. Design, right-of-way acquisition and construction on the west side of 110th Avenue NE will be deferred as will design of the segment from NE 6th to NE 8th. Construction of the segment from NE 6th to NE 8th will occur through redevelopment of the adjoining properties.

Attachment 2

PW-R-146 Northup Way Corridor Improvements – Design Report

Project Description: Prepare a Design Report investigating the following potential improvements: curbs, gutters, sidewalks and bicycle lanes on both sides where missing from Bellevue Way to NE 24th Street; a center turn lane from 108th to 116th Avenues, utility undergrounding where feasible and further scope components per the Northup Way Corridor Study (1996). The project will include community outreach/involvement facilitation, the development of a preliminary design including survey and detailed cost estimates for complete and/or phased implementation of the improvements. The scope may be modified based on the designation of a preferred alternative in the Washington State Department of Transportation's TransLake Washington Project.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	127	309						436
Proposed Budget			127	309				436
Change	(127)	(309)	127	309	0	0	0	0

Impact: This is a design project that has not yet begun. The current project budget (reflecting recosting) assumes programming for only a portion of the project design.

Attachment 2

PW-M-14 NE 10th Street/176th Ave NE/NE 13th – Northup Way to NE 15th Place

Project Description: Rehabilitate or reconstruct curbs, gutters, sidewalks and street pavement on NE 10th Street, 176th Avenue NE, NE 13th Street and 183rd Avenue NE between Northup Way and NE 15th Place (through the Tam-O-Shanter/Brettonwood neighborhoods).

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	899							899
Proposed Budget	40		859					899
Change	(859)	0	859	0	0	0	0	0

Impact: Construction of this project would be deferred for two years. This project will reconstruct the existing infrastructure (as opposed to constructing new infrastructure where no current facilities exist).

PW-W/B-70 140th Ave NE Pathway Improvements

Project Description: This project will design and construct a separated six-foot porous asphalt pathway along the west side of 140th Avenue NE from NE 40th Street to the north City limits.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	919							919
Proposed Budget			919					919
Change	(919)	0	919	0	0	0	0	0

Impact: Construction of this project would be deferred for two years

PW-R-118 SE 16th Street Improvements

Project Description: This project will construct a new westbound right turn lane from SE 16th Street to 145th Place NE and will upgrade the traffic signal at this intersection. The project will also widen SE 16th Street for a two-way left turn lane, between 145th Place SE and the east entrance to the shopping center on the north side, and for bicycle lanes between 145th Place SE and 148th Avenue SE. The project will provide new or upgraded curbs, gutters and sidewalks on both sides for the length of the project. The cost and feasibility of undergrounding existing overhead utilities will be evaluated.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	3,507							3,507
Proposed Budget		3,507						3,507
Change	(3,507)	3,507	0	0	0	0	0	0

Impact: Construction of this project would be deferred for one year. A sidewalk currently exists on the north side of the street. This project will reconstruct the existing infrastructure as well as adding new facilities where they currently don't exist.

Attachment 2

PW-R-128 Forest Drive Improvements

Project Description: Forest Drive Improvements will be achieved through two project phases. Phase 1 will consist of overlaying and restriping the existing pavement from Coal Creek Parkway to SE 63rd Street for bike lanes, minor widening of the existing pavement in places for left turn pockets, adding a porous asphalt trail on the south side of Forest Drive, adding some pavement texturing and additional signage on the grade as Forest Drive approaches Coal Creek Parkway, and changing the striping on/near the right turn lanes. Phase 2 will provide a relocated right turn lane from westbound Forest Drive to northbound Coal Creek Parkway with a modified traffic signal at Coal Creek Parkway.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	2,272							2,272
Proposed Budget		2,272						2,272
Change	(2,272)	2,272	0	0	0	0	0	0

Impact: Construction of Phase II of this project would be deferred for one year. Interim safety improvements where Forest Drive and Coal Creek Parkway meet (Phase I) will be completed in 2004. Deferring Phase II will allow time to evaluate the effectiveness of the Phase I safety improvements which may possibly reduce the scope of the Phase II improvements.

PW-R-133 Northup Way – 120th to 124th Avenues NE

Project Description: This project will add an additional lane along eastbound Northup Way between 120th Avenue NE and 124th Avenue NE, a northbound right-turn lane from 124th Avenue NE to Northup Way, and widen to provide a second eastbound left-turn lane from Northup Way to the SR-520 ramp. This project will also include completing portions of curb/gutter/sidewalk where missing, illumination, traffic signal modification, storm drainage and detention, landscaping and irrigation.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	3,329							3,329
Proposed Budget			2,829	500				3,329
Change	(3,329)	0	2,829	500	0	0	0	0

Impact: Construction of this project would be deferred for two years. Due to regional economic conditions and the associated reduction in traffic volumes, the project need is not as great in the near term.

Attachment 2

Parks Projects

P-AD-34 Trail Development

Project Description: This trail project will identify, design, build and sign “missing links” in or connecting to the Lake to Lake Greenway Trail, Richards Valley Trail and South Bellevue Greenway and Trail system connecting Lake Washington to Lake Sammamish and many of the City’s major parks and open spaces. Numerous miles of trails exist, and this trail project will build additional trail connections. Connections and enhancements are planned for Meydenbauer Bay to Wilburton Hill, Mercer Slough to Wilburton Hill, Woodridge to Richards Valley, Richards Valley to Robinswood Park, Kelsey Creek to the Lake Hills Greenbelt, Coal Creek Park to Newport Hills, Sunrise Park to Lewis Creek and the South Bellevue Trail system.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	86	86	86	87	88	69	71	573
Proposed Budget			86	87	158	155	157	643
Change	(86)	(86)	0	0	70	86	86	70

Note: P-AD-34 includes a \$70K deferral in 2004

Impact: This deferral will eliminate the City’s ability to extend the existing trail system until 2007 unless alternative funding sources (grants, NEP, etc) can be identified.

P-AD-65 Kelsey Creek Park Stream Restoration

Project Description: Kelsey Creek, as it flows through Kelsey Creek Farm Park, is the gateway to a system of small stream tributaries in central Bellevue. Improvements to this lower reach of Kelsey Creek will protect the City’s park investment by reducing flooding at the Park and will improve salmon migration and spawning habitat. With over 300,000 visits per year, Kelsey Creek Park is one of the most popular and highly used parks in Bellevue. It is an exceptional opportunity to showcase a successful stream rehabilitation project. Planned improvements to the one mile long segment of the creek that flows through the Park include sedimentation ponds to catch and hold silt, tree planting for shading and cooling water, restoring abandoned historic creek channels, installing spawning beds, creating areas of fast water and deeper pools using weirs, and dredging portions of the creek to increase flow capacity. Along with creek improvements, this project may include relocating pastures and access points to carefully control any adverse impacts to the creek from farm animals and park visitors.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	900	159						1,059
Proposed Budget					1,059			1,059
Change	(900)	(159)	0	0	1,059	0	0	0

Impact: In May 2004, Council approved a design contract with Jones & Stokes to address stream discharge and velocity, channel capacity and flooding frequency, in-stream habitat and spawning beds, vegetation enhancement, and sediment management. While this CIP deferral allows for completion of the project design,

Attachment 2

construction will be delayed until 2009 or until alternative funding sources can be identified.

P-R-11 Renovation & Refurbishment of Park Facilities

Project Description: This project consists of major repairs to renovate and/or refurbish various park facilities including all buildings and equipment on land for which Parks and Community Services has maintenance responsibility, and those facilities primarily occupied and controlled by the department. Minimal trail development would also be authorized to allow public access to currently undeveloped areas such as the Mercer Slough and Somerset Park. Typical projects will include dock repairs, replacement of playground equipment, roof repairs, furnace repairs, ball field and parking lot lighting, signage, painting, pavement repairs, and other major maintenance items.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	450	614						1,064
Proposed Budget					501	450	614	1,565
Change	(450)	(614)	0	0	501	450	614	501

Note: P-R-11 includes a \$501K deferral in 2004

Impact: The reduced CIP budget will continue to provide for the basic structural integrity and safety of park infrastructure, but will defer major maintenance items into future years where it may become more costly to renovate.

Attachment 2

Community Development Projects

CD-18 Meydenbauer Marina to Downtown Link

Project Description: The Meydenbauer to Downtown Link project includes planning, preliminary implementation of selected streetscape improvements, and/or potential site acquisition/development efforts leading to an improved connection between Meydenbauer Marina and Downtown Bellevue. The goal of this project is to develop recommendations and some preliminary implementation (streetscape improvements and/or site acquisition) that helps establish an attractive and vibrant connection/district linking the Marina to the heart of Bellevue's downtown. As part of this project, design guidelines will be developed to direct how adjacent private development would relate to the public realm and its context as a transition area between the waterfront and downtown. Policy and regulatory modifications would be reviewed and modified as part of this project.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget		1,200						1,200
Proposed Budget					1,200			1,200
Change	0	(1,200)	0	0	1,200	0	0	0

Impact: This funding was originally intended as a placeholder for property acquisition. The planning study for this area has not been started and specific properties have not yet been identified.

Neighborhood Investment Strategy Projects

NIS-1 (T002) 145th Place SE - SE 8th to SE 24th, and SE 22nd St Design Report and Early Implementation

Project Description: Through an interactive public outreach process, develop a preferred alternative/design report for these sections of roadways in the West Lake Hills neighborhood considering safety, non-motorized connectivity, and appearance of these roadways. Prioritize sections for implementation and design and construct a first phase.

	2005	2006	2007	2008	2009	2010	2011	Total
Recosted Budget	456	2,285						2,741
Proposed Budget		1,175						1,175
Change	(456)	(1,110)	0	0	0	0	0	(1,566)

Impact: The scope of this project has not yet been identified. The original project budget assumed funding for development of alternatives and a placeholder for construction. The construction budget will be reduced by approximately 50%. Construction would still be scheduled for completion in 2006.

Attachment 3

Resources and Expenditures Outlook

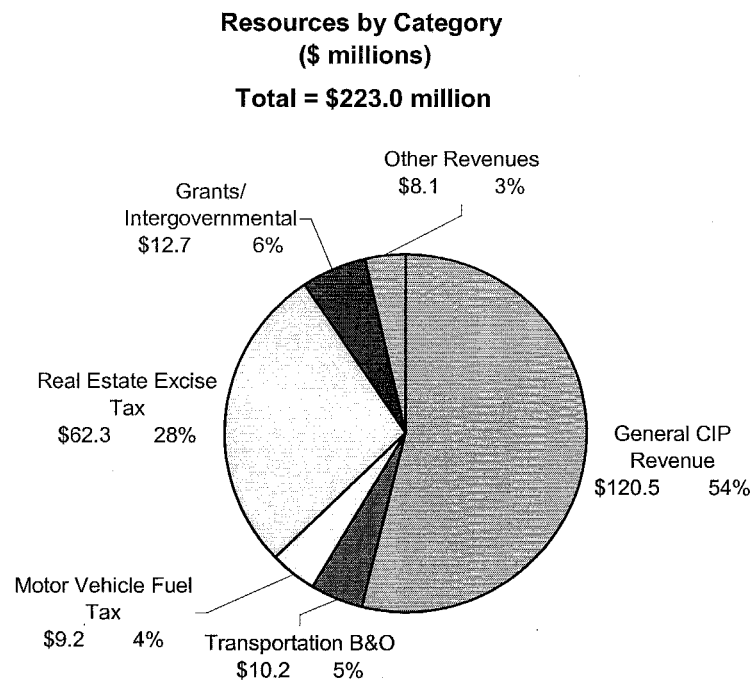
Similar to the General Fund, estimates for economically sensitive revenues have been adjusted downward since the adoption of the 2003-2009 CIP Plan but reflect steady growth throughout the 2005-2011 period. In addition, estimates reflect a reduction in the receipt of Vehicle License Fees (approximately \$1 million per year dedicated to Transportation capital improvements) due to the passage of Initiative 776 (described in section B: Restricted Revenue). These revenues reflect an estimated reduction of \$9.0 million, when comparing the adopted 2003-2009 CIP Plan to the Early Outlook 2005-2011 CIP Plan.

The decline in revenue is partially offset by the projected growth in Real Estate Excise Tax. In addition staff was able to secure grant funding not anticipated when the 2003-2009 Plan was adopted. Also, significant project savings on the Downtown Access project, 140th Avenue, and SE 8th Street Reconstruction helped mitigate the impacts of the sluggish economy.

Total resources for the 2005-2011 CIP Plan are estimated to be \$223 million. Recall that total resources for the adopted 2003-2009 CIP Plan were \$233 million.

Resources

Resources includes a) General CIP Revenue and b) restricted revenue. General CIP Revenue can be committed to any project, while restricted revenue must be committed to specific projects or category of projects (i.e., transportation improvements, parks acquisitions, etc.) based upon legal requirements.



Attachment 3

A. General CIP Revenue – General CIP revenue is made up of a combination of Sales Tax and Business and Occupation (B&O) Tax and typically comprises approximately half of the total resources available in the CIP Plan. Estimates for these resources are updated in conjunction with the General Fund Early Outlook Forecast.

Sales Tax (\$89 million or 40% of total CIP revenue). Collections are expected to increase (average of 5.4%) during the Forecast period. Ongoing sales tax is expected to be bolstered by the completion of Lincoln Square (\$200,000 per year beginning in 2006).

Contracting, retail trade, and wholesaling, which comprise 77% of the sales tax base, grew between 8% to 20% in the first five months of 2004 compared to the first five months of 2003. Each of these sectors is expected to continue this course of growth.

The CIP Forecast does not include one-time sales tax associated with the construction of Lincoln Square and the Overlake Hospital expansion. The potential CIP allocation of one-time sales tax associated with these projects is estimated at \$0.7 million over three years (from 2005 to 2007).

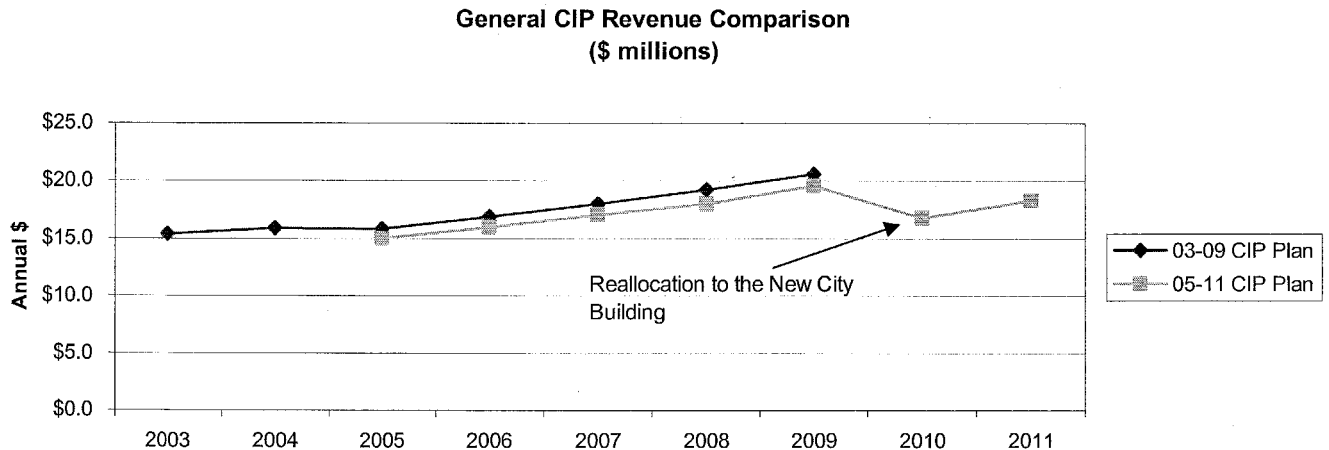
Business and Occupation Tax (B&O) (\$32 million or 14% of total CIP revenue; additional \$10 million is dedicated to Transportation capital improvements). B&O tax projections contemplate growth due to the anticipated increase in employment for the region. Bellevue's B&O collections in wholesaling, retailing, and services grew by 4% to 6% in the first quarter of 2004. These sectors comprise 85% of the B&O tax base.

- **Impact of Apportionment.** State legislative changes to the B&O tax are expected to adversely affect Bellevue's General Fund and CIP Fund beginning in 2008. Apportionment may narrow our current tax base by reallocating a portion of it to other jurisdictions. Growth is expected to average 4.6% through the Forecast period, despite the effects of B&O apportionment in 2008. The legislative changes are very complex and impacts are difficult to estimate and prone to estimation error. However, preliminary estimates indicate a reduction of up to \$1 million per year beginning in 2008.

Impact of New City Building. General CIP revenue available for projects is reduced by approximately 22% (\$4.2 million) beginning in 2010 (see table below). This reduction reflects a reallocation of revenue dedicated to funding the New City Building. The percentage of General CIP revenue dedicated to funding the New City Building declines annually until the debt service is retired in 2043.

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Attachment 3



B. Restricted Revenue. Restricted revenue comprises approximately half of the total resources available in the CIP. This category is composed of a portion of the B&O tax, motor vehicle fuel tax, grants/intergovernmental revenues, real estate excise tax, contributions from other city funds, transportation impact fees and sale of fixed assets.

Real Estate Excise Tax (REET) (\$62 million or 28% of total CIP revenue)– REET is equally divided between transportation and park capital projects.

REET is levied on all sales of real estate, measured by the full selling price. Consequently, as properties appreciate and sales prices rise, REET rises. REET estimates have been revised upward compared to the 2003-2009 Plan to reflect the recovering real estate market. The forecast assumes an average growth rate of 7% per year, and is based on Bellevue's ten year average growth in assessed valuation.

Grants/Intergovernmental (\$13 million or 6% of total CIP revenue) – This category represents federal and state grants as well as contributions from other jurisdictions (e.g., King County, Redmond, public safety contract cities, etc.)

Motor Vehicle Fuel Tax (MVFT) (\$9 million or 4% of total CIP revenue) – This is state shared revenue distributed on a per capita basis and dedicated to Transportation capital improvements. Collections are expected to remain fairly level throughout the CIP Forecast.

Other Revenues (\$8 million or 3% of total CIP revenue) – This category represents contributions from other city funds (\$5 million), transportation impact fees (\$2 million) and sale of fixed assets (\$1 million).

Vehicle License Fees (VLF) – On October 30, 2003, the State Supreme Court upheld the passage of Initiative 776, which limits the vehicle license fees to a flat \$30 rate. The General CIP Plan revenue estimates no longer assumes the collection of VLF. As a result, revenue dedicated to Transportation capital improvements has been reduced by approximately \$1 million per year

3-76

Attachment 3

Expenditures

The General CIP Plan Early Outlook includes only projects that are included in the current CIP Plan (2003-2009). These projects have been updated during the initial recosting process in April to address the following:

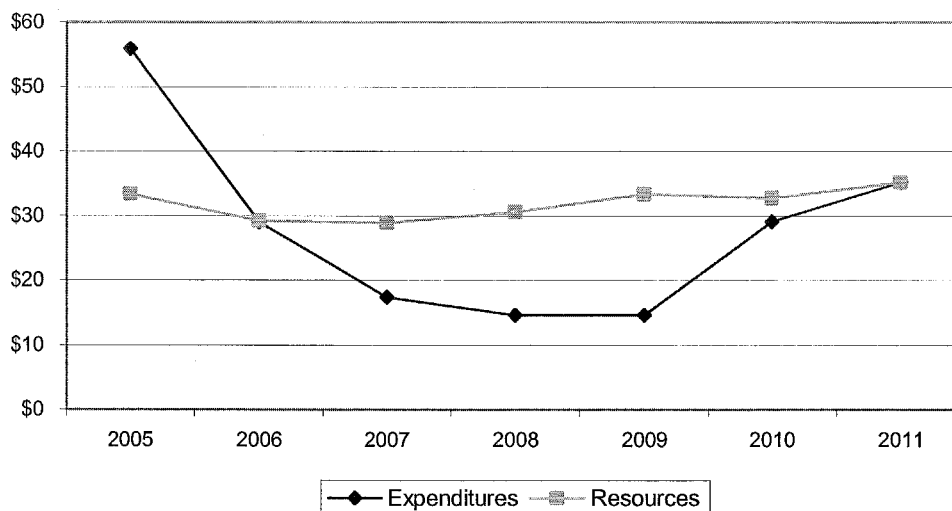
- 1) Changes in project schedule
- 2) Changes in project cost estimates (cost increases/decreases from the original project scope)
- 3) Adjusted for inflation
- 4) Ongoing programs are assumed to be extended through the latter two years of the Plan (2010-2011).

Staff will continue to refine and update project cost and revenue estimates based on more comprehensive information throughout the budget process.

The updated expenditures estimates reflect a significant savings in Downtown Access (CIP Plan No. PW-I-46). The project budget has been reduced by approximately \$6.3 million since the adoption of the 2003-2009 CIP Plan reflecting project savings. These projects savings have helped to mitigate the decline in resources.

When considering the expenditure level of the 2005-2011 CIP Plan it is important to note that interim borrowing of approximately \$24 million, incurred through 2004, will be carried forward into the Plan. In addition, an additional \$24 million is expected to be incurred in 2005. As the chart below illustrates, expenditure levels decline considerably from 2007 through 2009. During this period, approximately \$48 million of the resources available are assumed to will be utilized to repay the line of credit

**2005-2011 CIP Plan Early Outlook
Estimated Capital Expenditures and Resources
(\$ Millions)**



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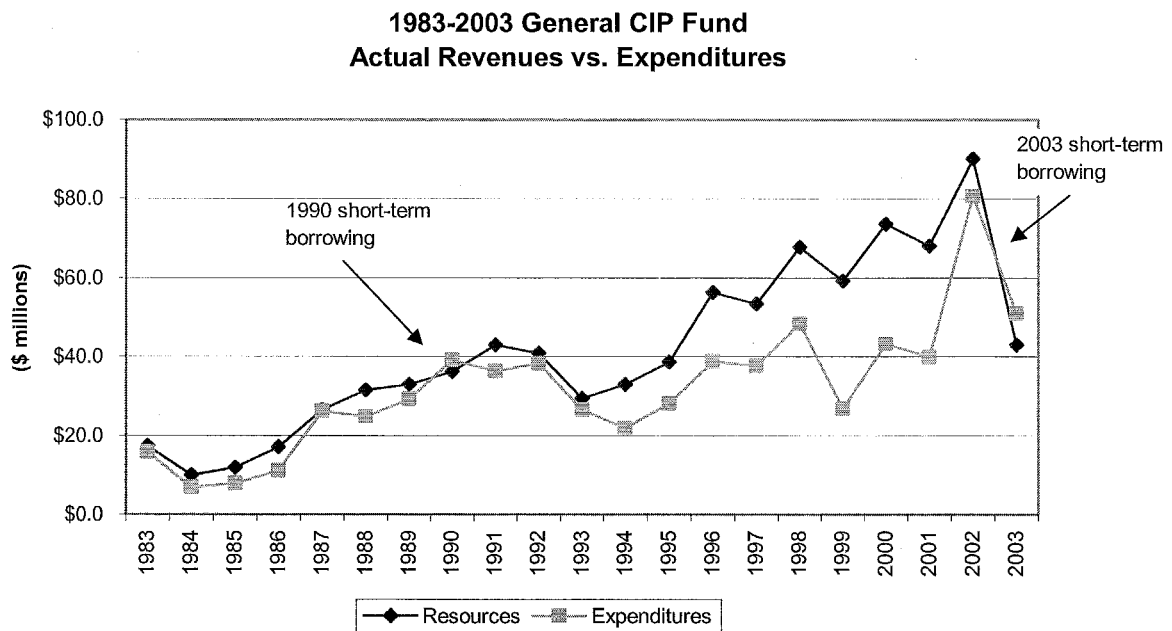
Attachment 4

Interim Borrowing in the CIP Plan

Background

The CIP Plan is a balanced, seven-year plan where, in total, revenues equal project expenditures. Since 1985, Bellevue's CIP Plan has intentionally programmed expenditures in excess of anticipated resources in the early years of the Plan, thus speeding delivery of large public projects and minimizing the effect of inflation on project costs. Conversely, in the later years of the Plan, resources exceed expenditures and the debt is repaid. Any imbalance between revenues and expenditures during a particular year is corrected through the use of interim financing, which is repaid during the later years of the plan.

Although planned expenditures exceeded anticipated resources in the early years of each Plan, prior to 2003 *actual* expenditures had exceeded revenues only one time. In that case, in 1990, the City established a \$6 million line of credit and actually used approximately \$3 million of this short-term debt for interim cash flow borrowing. Until last year, the City has been in the unique position of funding projects on a "pay-as-you-go" basis because projects couldn't be completed quickly enough to fully utilize available funding. The City has now become much more effective at delivering projects, thus triggering the need for short-term borrowing for the first time in more than ten years. The following chart illustrates the actual revenue and expenditure levels for the General CIP since 1983.

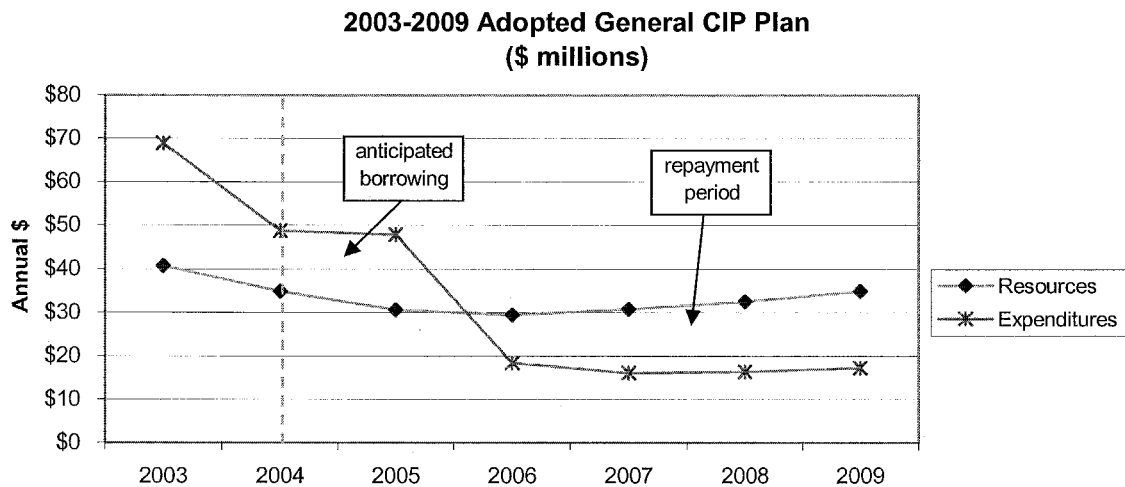


3-78

Attachment 4

Adopted 2003-2009 CIP Plan

On December 2, 2002, the Council adopted the 2003-2009 CIP Plan. Frontloading allowed 71% of planned expenditures to be programmed in the first three years of the Plan. The City has benefited from low short-term borrowing rates, continued noteworthy progress on several key projects, and ability to launch several new high priority projects. In addition, a Council contingency project was established in 2003 and funded at \$2.5 million in response to Council direction to seek alternatives that would allow for new projects to be programmed in the early years of the Plan. The following graph illustrates the adopted 2003-2009 CIP Plan. Note that the adopted Plan anticipated interim cash flow borrowing of \$59 million by the end of 2005.



2003-2009 Adopted CIP Plan
(\$ millions)

	2003	2004	2005	2006	2007	2008	2009	Total
Resources	\$41	\$35	\$31	\$29	\$31	\$32	\$35	\$233
Expenditures	69	49	48	18	16	16	17	233
Annual Balance	(\$28)	(\$14)	(\$17)	\$11	\$15	\$16	\$18	\$0

2003 Line of Credit

On November 3, 2003, Council authorized the establishment of a \$35 million line of credit for a five-year term for the purposes of financing cash flow borrowing in the 2003-2009 CIP Plan. At that time the line of credit was anticipated to meet the Plan's financing needs through the first two years of the Plan (2003-2004) with the intent that staff would return to Council during the development of the 2005-2011 Plan to consider further borrowing. Total borrowing of \$54 million was estimated to complete the 2003-2009 CIP Plan.

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Attachment 4

2005-2011 CIP Plan

As part of preliminary recosting, CIP revenue estimates, project budgets and schedules have been updated. As the timing of project expenditures has changed, so has the projected borrowing needs. The Early Outlook shows that borrowing needs through 2004 have been reduced to approximately \$24 million. Total borrowing to complete the Plan is estimated at \$48 million.

In order to stay within the limitations of the current line of credit (\$35 million limit/five-year term) approximately \$20 million of projects will have to be deferred from the early years of the Plan (2005-2007) until 2009.

Staff has been analyzing different strategies for programming projects in the 2005-2011 CIP Plan with the following objectives:

- Minimize borrowing costs
- Minimize the impact on project delivery
- Smooth the timing of project schedules to better align expenditures with available resources

These alternatives are discussed in detail in *Attachment 1 – CIP Plan Programming Alternatives*.

Attachment 5

CIP Cash Flow Modeling

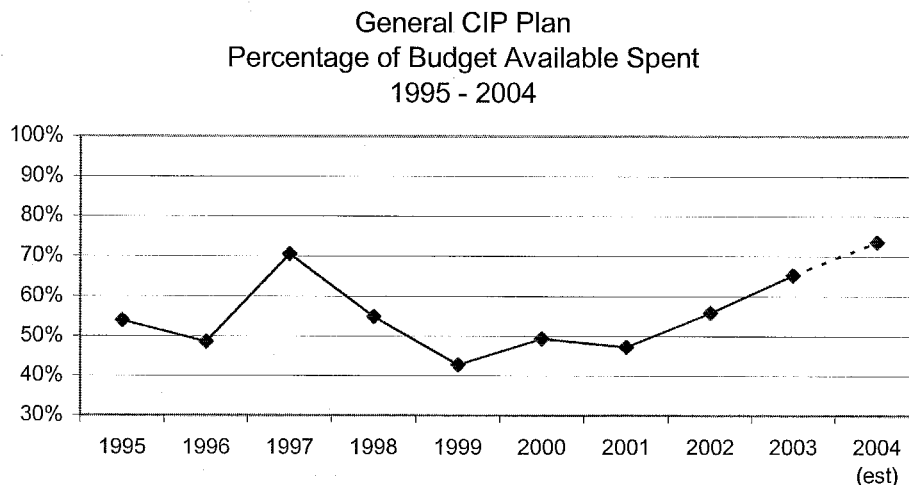
A key assumption included in the development of the 2005-2011 CIP Plan is that 85% of budgeted expenditures in any given year will actually be spent.

Background

The CIP budget has historically served two purposes. The first is to establish the Council approved budgets for each project over the next seven years. The second is to serve as a cash flow model for the Plan.

While the adopted Plan serves as a starting point for cash flow analysis, it has proven to be an inaccurate tool in projecting cash flow needs. History has proven that variables such as the complexities of property acquisition, permitting delays, and changes in conditions make it inherently difficult to estimate the timing of capital project expenditures.

The following chart illustrates the percentage of budgeted expenditures actually spent over the past 10 years in the General CIP Fund. Since 1995 an average of 56% percentage of budget available has actually been spent.



2005-2011 CIP Plan

The need for more accurate cash flow projections is critical in this time when the City is in the position of utilizing short term borrowing.

For cash flow planning purposes, the 2005-2011 CIP Plan assumes that 85% of budgeted expenditures will actually be spent. While this is a conservative estimate compared to the ten-year average of 56%, it also accounts for the trend of improved project delivery. The amount of budgeted expenditures not spent is considered to be carried forward to the subsequent year.

By developing cash flow models at a estimated level of not more than 85% of budgeted expenditures, we will be able to plan for and anticipate the use of cash more

3-81

Attachment 5

effectively and still leave some room for inevitable project delays. This will allow us to maximize interest earnings and will also assure that the City borrows only when needed, thereby minimizing unnecessary interest expenses.

3-82

Attachment 6

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRICES AND MAPS

PROJECT STATUS MATRICES

The Project Status Matrix is intended to provide Council with an early look at the projects that are anticipated to be included in the 2005-2011 CIP Plan. This includes distinct projects from the 2003-2009 CIP Plan that have estimated costs in the new seven year period and all ongoing projects, with the addition of two new years (2010-2011) of funding.

Note that the cost estimates presented have been updated during the initial recosting process in April to address the following:

- 1) Changes in project schedule
- 2) Changes in project cost estimates (cost increases/decreases from the original project scope)
- 3) Adjusted for inflation
- 4) Ongoing programs are assumed to be extended through the latter years of the Plan (2010-2011)

The matrices includes the following:

Those projects that staff proposes for deferral to meet the \$35 million borrowing limit under Alternative 3 are highlighted.

I. Ongoing Programs

This is a list of the ongoing projects that were approved in the 2003-2009 CIP Plan with the addition of two new years (2010-2011) of funding.

II. Projects Approved and Not Begun

This is a list of the projects that were approved in the 2003-2009 CIP Plan but have not yet been started.

III. Projects Approved and Begun

This is a list of the projects that were approved in the 2003-2009 CIP Plan and have started prior to 2004.

The **"Phase"** column indicates the current status of the project (for projects that are "Approved and Begun").

The **"Project Purpose"** columns reflect a set of identified priorities/purposes that each project responds to.

The **"Estimate thru 2004"** column reflects the estimated expenditures through the end of 2004.

The annual **"2005" through "2011"** columns reflect the estimated expenditures for each year of the seven year CIP period.

The **"Total Estimated Cost"** column reflects the total estimated expenditures for the project since its inception.

The **"Actuals as a % of Total Estimated Cost"** column reflects the amount of actual expenditures through May 2004 (for projects that are "Approved and Begun") as compared to the total estimated cost. This percentage is a financial indicator of how far along the project is.

The **"Total External Funding"** column reflects the amount of funding provided by sources outside of the City. This includes grants, intergovernmental revenues, etc.

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

TRANSPORTATION

Early Outlook Forecast
2005-2011 CIP Plan

Project Status Matrix
Roadways

CIP Plan No.	Project Name	Phase	Project Purpose									Study/Alternative Analysis	
			Capacity	Safety	Access Improvement	Maintenance	Pedestrian/Bicycle	Transit/Transit User Benefit	Neighborhood Benefit	Regional Benefit	BROTS Project		
ONGOING PROGRAMS													
PW-R-44	Transportation Planning Studies	-											X
PW-R-46	Major Safety Improvements	-	X	X	X		X	X					
PW-R-92	Public Works Trust Fund Loan - Principal	-											
PW-R-93	Public Works Trust Fund Loan - Interest	-											
PW-R-87	Transportation Demand Management	-					X	X	X	X	X		
PW-R-136	Traffic Safety Technologies	-		X				X		X			
TOTAL ONGOING PROGRAMS													

Project Budget (\$000)												
Estimate thru 2004	2005	2006	2007	2008	2009	2010	2011	Total Estimated Cost (A)	Actual as a % of Total Estimated Cost (A)	Total External Funding		
2,390	100	100	100	100	100	100	100	3,090		417		
1,860	100	100	100	100	100	100	100	2,560		204		
756	61	61	61	61	-	-	-	1,000				
81	2	2	1	1	-	-	-	87				
1,419	80	80	80	80	80	80	80	1,979		480		
175	50	50	50	50	50	50	50	525				
6,681	393	393	392	392	330	330	330	9,241		1,101		

APPROVED AND NOT BEGUN											
PW-R-122	130th Avenue NE Improvements		X	X	X	X	X	X	X	X	X
PW-R-146	Northrup Way Corridor Improvements-Design Report		X	X	X	X	X	X	X	X	X
TOTAL APPROVED AND NOT BEGUN											

-	174	-	-	-	-	-	-	174	-	174		16
-	127	309	-	-	-	-	-	436	-	436		
-	301	309	-	-	-	-	-	610	-	610		16

APPROVED AND BEGUN											
PW-R-57	Lakemont Boulevard Extension	CONST	X	X	X	X	X	X	X	X	X
PW-R-60	NE 29th Connection	CONST	X	X	X	X	X	X	X	X	X
PW-R-102	Kamber Road Improvements	CONST	X	X	X	X	X	X	X	X	X
PW-R-105	150th Ave SE/SE36th St to Newport Way	DES/ROW	X	X	X	X	X	X	X	X	X
PW-R-115	Cougar Mountain Way Improvements	CONST		X	X	X	X	X	X	X	X
PW-R-117	148th Avenue SE Improvements	DES/ROW	X	X	X	X	X	X	X	X	X
PW-R-118	SE 16th Street Improvements	DES/ROW	X	X	X	X	X	X	X	X	X
PW-R-128	Forest Drive Improvements	DES/ROW	X	X	X	X	X	X	X	X	X
PW-R-130	High Capacity Transit Study	PLAN									X

20,599	330							20,929	98%	10,018	
13,922	1,928	125						15,975	59%	4,176	
2,794	1,443	-	-	-	-	-	-	4,237	60%		
2,682	2,745	1,373	-	-	-	-	-	6,800	18%	2,549	
4,937	837	-	-	-	-	-	-	5,774	33%	229	
2,248	1,975	-	-	-	-	-	-	4,223	30%	3,370	
1,100	3,507	-	-	-	-	-	-	4,616	10%	47	
3,789	2,272	-	-	-	-	-	-	6,061	15%		
5	100	85	-	-	-	-	-	190	3%		

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Early Outlook Forecast
2005-2011 CIP Plan

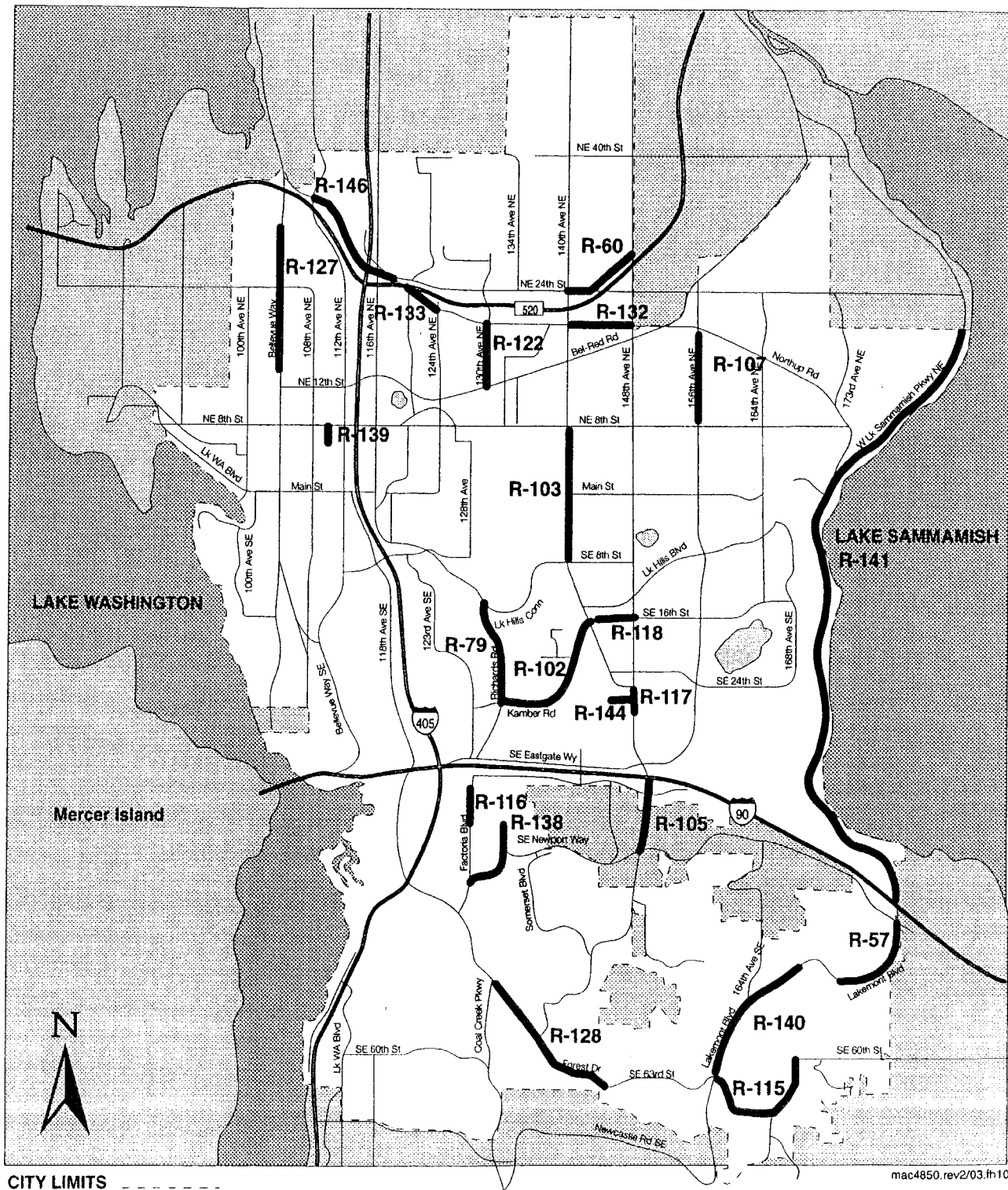
Project Status Matrix
Roadways

CIP Plan No.	Project Name	Phase	Project Purpose								Project Budget (\$000)										Actual as a % of Total Estimated Cost (A)	Total Estimated Cost	2011	2010	2009	2008	2007	2006	2005	Estimate thru 2004	Total External Funding																								
			Capacity	Safety	Access Improvement	Maintenance	Pedestrian/Bicycle	Transit/Transit User Benefit	Neighborhood Benefit	Regional Benefit	BROTS Project	Study/Alternative Analysis																																											
APPROVED AND BEGUN																																																							
PW-R-133	Northrup Way-120th to 124th Ave NE	DES/ROW	X	X			X	X																		1,772	3,329	-	5,101	15%	7,076																								
PW-R-139	110th Ave NE-NE 4th St to NE 8th St	DES/ROW	X						X		X															153	1,091	548	2,704	2%																									
PW-R-141	West Lake Sammamish Parkway Analysis	PLAN																								265	295	-	560	29%																									
PW-R-145	Factoria Area Transportation Study (FATS) Update	PLAN																								175	225	-	400	5%																									
PW-R-147	Early Implementation of Downtown Plan	PLAN	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	51	359	300	710	0%																									
TOTAL APPROVED AND BEGUN																											54,501	20,436	2,431	912	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,501	20,436	2,431	912	78,280	21,465

Phase Key:
CONST = Construction
DES/ROW = Design/Right of Way
PLAN = Planning

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects.

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2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

ROADWAYS

- Notes:**
1. Project R-44 and R-145 are not shown as they are study projects.
 2. Projects R-46, R-87, R-130, R-136, and R-147 are not shown as they are in multiple or non-specific locations in the City.
 3. Projects R-82 and R-83 are not shown as they are administrative projects.

10/02

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Early Outlook Forecast
2005-2011 CIP Plan

Project Status Matrix
Intersections

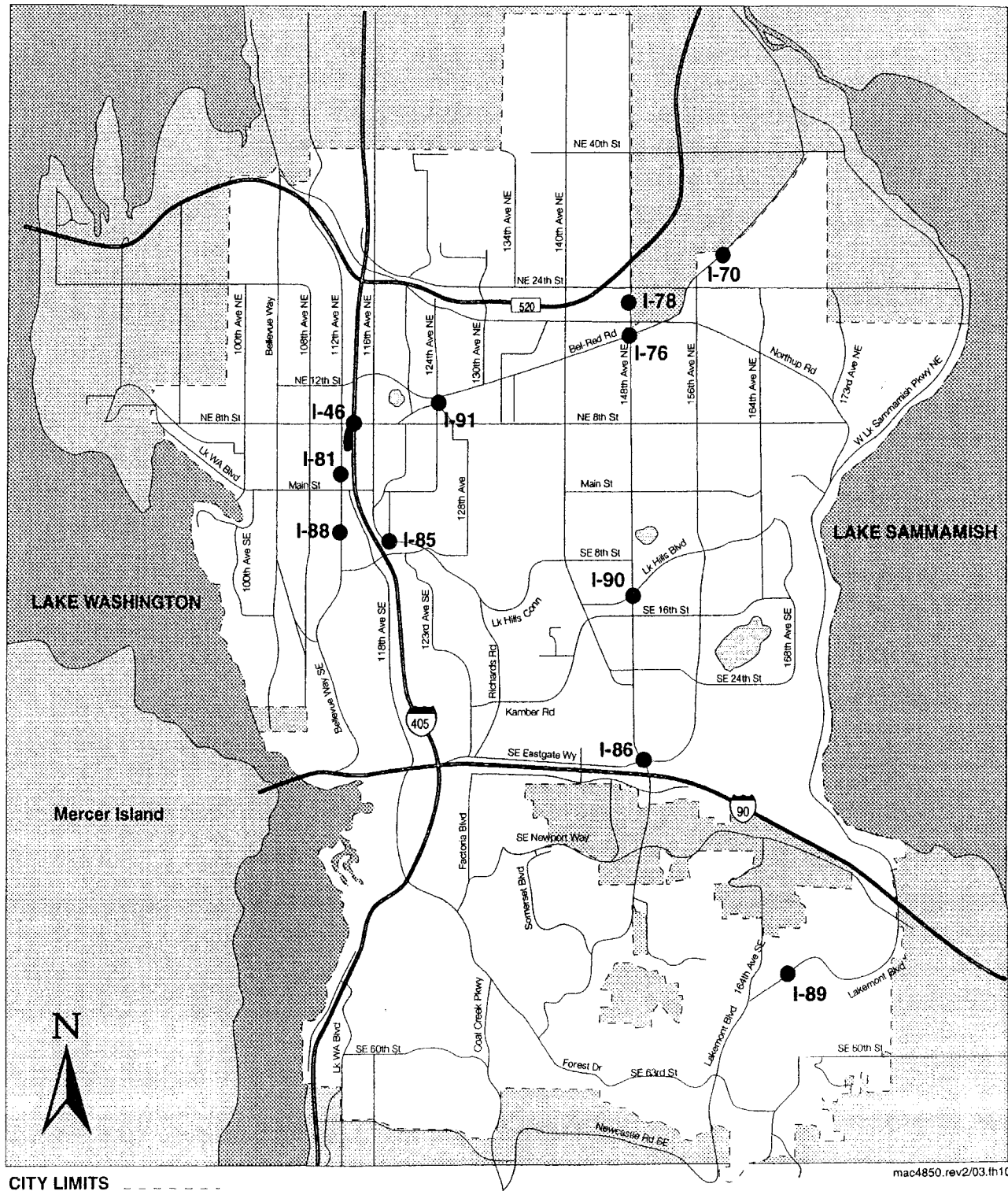
CIP Plan No.	Project Name	Phase	Project Purpose								Project Budget (\$000)										Actuals as a % of Total Estimated Cost (A)	Total External Funding		
			Capacity	Safety	Access Improvement	Maintenance	Pedestrian/Bicycle	Transit/Transit User Benefit	Neighborhood Benefit	Regional Benefit	BROTS Project	Study/Alternative Analysis	Estimate thru 2004	2005	2006	2007	2008	2009	2010	2011			Total Estimated Cost	
ONGOING PROGRAMS																								
PW-483	Redmond BROTS	-	X						X	X	X	X		513	100	100	100	300	100	100	1,413		137	
PW-484	Signal Warrant/Safety Program	-	X	X	X		X		X	X	X			655	150	117	116	116	116	150	150	1,570		
TOTAL ONGOING PROGRAMS														1,168	250	217	216	416	216	250	250	2,983		137

APPROVED AND NOT BEGUN																							
PW-476	148th Avenue NE/Bel-Red Road	-	X					X	X	X	X	X		-	-	-	-	308	1,787	4,396	6,491		3,071
PW-478	148th Avenue NE/NE 20th Street	-	X					X	X	X	X	X		-	-	-	202	883	2,413	-	3,498		1,555
PW-489	Lakemont Blvd/Village Park Drive Signal	-		X			X			X				-	61	233	-	-	-	-	294		
PW-490	148th Avenue SE/Lake Hills Blvd	-	X	X			X	X	X	X	X	X		-	155	366	-	-	-	-	521		
TOTAL APPROVED AND NOT BEGUN														-	61	388	202	1,191	4,200	4,396	10,804		4,725

APPROVED AND BEGUN																							
PW-446	I-405/Bellevue Downtown Access Project	CONST	X	X	X		X	X	X	X	X			17,381	417	-	-	-	-	-	17,798	95%	13,192
PW-470	Bel-Red Road/NE 30th Street	DES/ROW		X			X	X	X	X				15	83	241	-	-	-	-	339	4%	2
PW-488	112th Avenue SE/SE 6th Street Signal	DES/ROW	X	X	X		X	X	X	X				35	407	-	-	-	-	-	442	0%	
PW-491	124th Ave NE/Bel-Red Road - Design Report	DES/ROW	X	X			X				X	X	X	30	107	-	-	-	-	-	137	1%	
TOTAL APPROVED AND BEGUN														17,461	1,014	241	-	-	-	-	18,716		13,194

Phase Key:
CONST = Construction
DES/ROW = Design/Right of Way
PLAN = Planning

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs nor approved and not begun projects



2003-2009 CIP Projects

Notes: Projects I-83 and I-84 are not shown as they are at multiple locations throughout the city.

INTERSECTIONS

Early Outlook Forecast
2005-2011 CIP Plan

Project Status Matrix
Walkways/Bikeways

CIP Plan No.	Project Name	Phase	Project Purpose									Study/Alternative Analysis
			Capacity	Safety	Access Improvement	Maintenance	Pedestrian/Bicycle	Transit/Transit User Benefit	Neighborhood Benefit	Regional Benefit	BROS Project	
ONGOING PROGRAMS												
PW-W/B-49	Wheelchair Ramps	-		X	X		X	X	X			
PW-W/B-53	Trail Maintenance Program	-		X	X	X	X	X	X	X		
PW-W/B-56	Pedestrian Access Improvements	-		X	X		X	X	X	X		
TOTAL ONGOING PROGRAMS												

Estimate thru 2004	Project Budget (\$000)							Total Estimated Cost	2011	2010	2009	2008	2007	2006	2005	Actuals as a % of Total Estimated Cost (A)	Total External Funding
	2004	2005	2006	2007	2008	2009	2010										
770	50	50	50	50	50	50	50	1,120	50	50	50	50	50	50	50		227
605	78	78	81	81	81	84	86	1,181	88	86	84	81	81	78	78		
2,705	505	505	325	325	325	325	325	5,160	325	325	325	325	325	325	505		513
4,080	633	633	453	456	456	459	461	7,461	463	461	459	456	456	453	633		740

APPROVED AND BEGUN											
PW-W/B-64	119th Ave SE/SE 60th St to SE 45th Pl	DES/ROW		X	X		X	X	X		X
PW-W/B-66	164th Avenue NE Sidewalk	DES/ROW		X	X		X	X	X		
PW-W/B-67	NE 24th St-NE 28th Pl to east of SR 520	CONST		X	X		X				
PW-W/B-69	NE 24th St - Northup Way to 130th Ave	DES/ROW		X	X		X	X	X	X	X
PW-W/B-70	140th Avenue NE Pathway Improvements	DES/ROW		X	X		X	X	X	X	X
TOTAL APPROVED AND BEGUN											

256	945	-	-	-	-	-	-	1,203	-	-	-	-	-	-	-	12%	
52	457	132	-	-	-	-	-	641	-	-	-	-	-	-	-	2%	150
248	8	-	-	-	-	-	-	256	-	-	-	-	-	-	-	55%	
460	1,029	-	-	-	-	-	-	1,489	-	-	-	-	-	-	-	12%	
100	919	-	-	-	-	-	-	1,019	-	-	-	-	-	-	-	1%	
1,118	3,358	132	-	-	-	-	-	4,608	-	-	-	-	-	-	-		150

Phase Key:

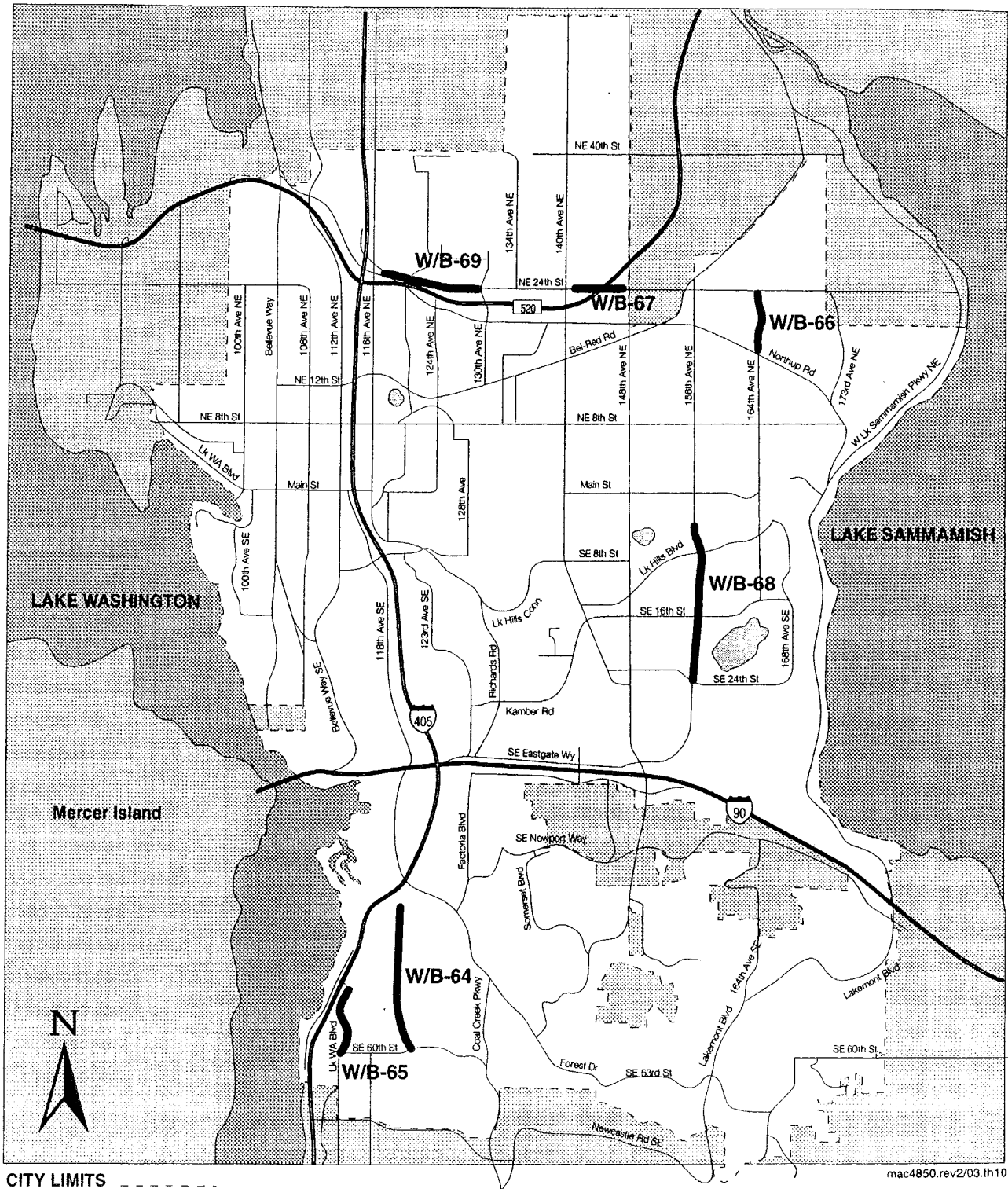
CONST = Construction

DES/ROW = Design/Right of Way

PLAN = Planning

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects

3-91



2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

WALKWAYS/BIKEWAYS

- Notes:**
1. Projects W/B-49 and W/B-56 are not shown as they are in multiple locations throughout the City.
 2. Project W/B-53 is not shown as it is a maintenance program project.

10/02

3-98

Project Status Matrix
Maintenance/Minor Capital

[illegible]

Phase Key:
CONST = Construction
DES/ROW = Design/Right of Way
PLAN = Planning

2003-2004 City of Bellevue Budget

MAINTENANCE/MINOR CAPITAL

10/02

3-94

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

PARKS

Early Outlook Forecast
2005-2011 CIP Plan

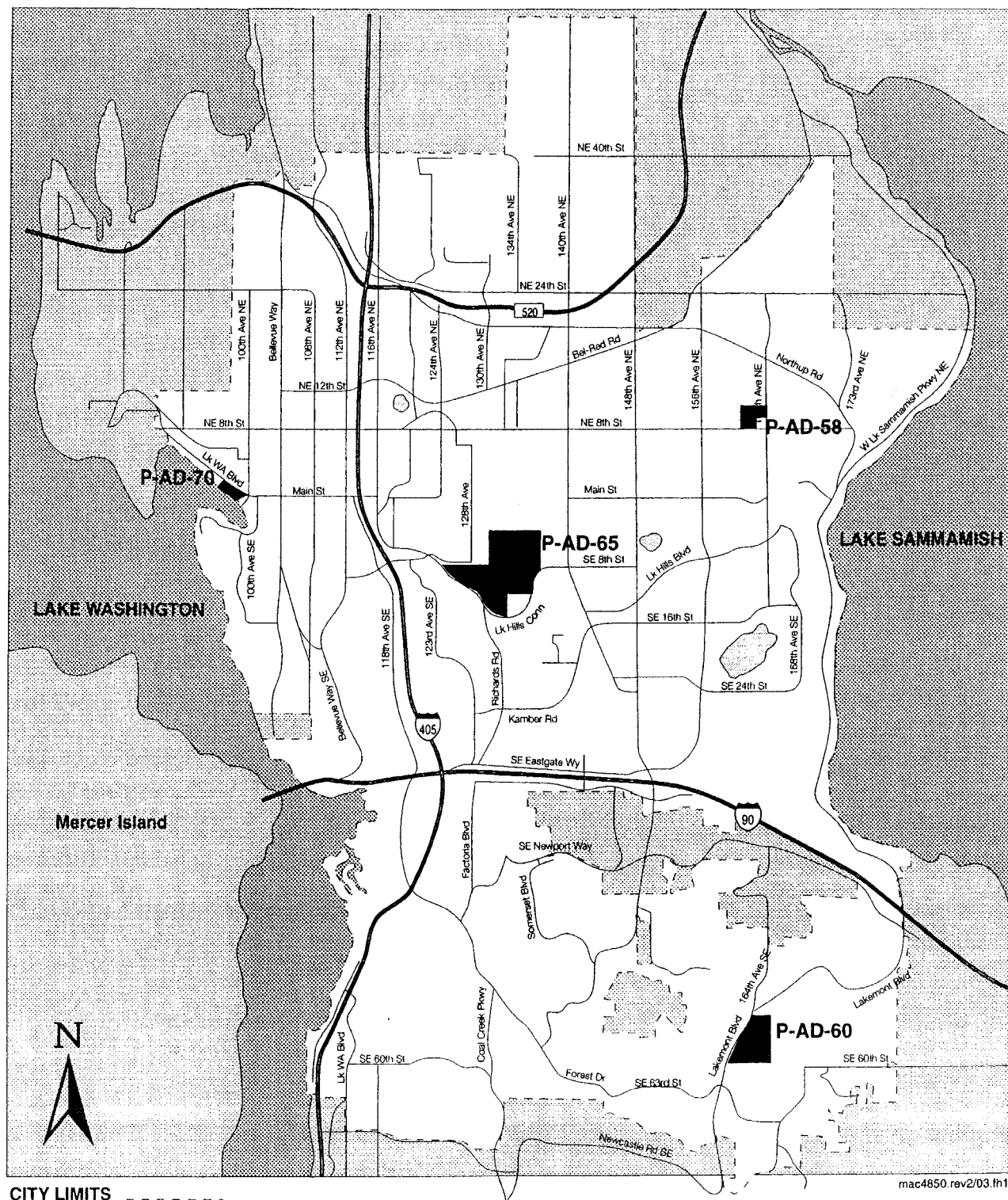
Project Status Matrix
Park Acquisition & Development

CIP Plan No.	Project Name	Phase	Project Purpose										Project Budget (\$000)										Total Estimated Cost (A)	Actuals as a % of Total Estimated Cost (A)	Total External Funding
			Council Priority	Citizen Input	Geographic Distribution	Urgency	Park Plan Consistency	Multiple Benefits	Neighborhood Impacts	Special Funding Available	Multiple User Groups	Site Suitability	M&O Efficiencies	Estimate Thru 2004	2005	2006	2007	2008	2009	2010	2011				
ONGOING PROGRAMS																									
P-AD-15	Property Acquisition	-	X	X	X	X								28,778	500	500	500	505	513	1,378	1,420	34,084		4,359	
P-AD-27	Planning/Design for Existing/Future Parks	-		X			X							2,103	100	102	105	109	114	119	124	2,876		363	
P-AD-34	Trail Development	-	X	X	X			X						669	86	86	86	87	88	89	71	1,242		13	
P-AD-52	Mini Park Opportunities	DES	X	X	X						X			1,271	1,000	-	773	-	-	500	500	4,044		67	
TOTAL ONGOING PROGRAMS														32,821	1,686	688	1,464	701	715	2,066	2,115	42,256	4,802		

APPROVED AND BEGUN																							
P-AD-30	Open Space Acquisitions	PLAN							X	X				5,876	500	-	-	-	-	-	-	6,376	92%
P-AD-36	Sportsfield Development	CONST	X	X	X						X			4,251	661	-	-	-	-	-	-	4,912	81%
P-AD-49	LID Assessments for Park Properties	-											X	1,169	83	84	81	41	39	39	39	1,575	71%
P-AD-57	Youth Link Priority Projects - Non Traditional	DES	X	X			X			X				341	272	-	-	-	-	-	-	613	18%
P-AD-58	Crossroads Park and Community Center	DES	X	X					X			X		3,468	1,372	-	-	-	-	-	-	4,840	62%
P-AD-59	Resource Management Division Facility	PLAN											X	676	137	700	733	-	-	-	-	2,246	30%
P-AD-60	Lewis Creek Park Master Plan & Development	CONST	X	X	X				X		X			4,878	1,050	375	-	-	-	-	-	6,304	17%
P-AD-61	South Bellevue Community Center	DES	X	X	X						X			3,815	4,000	586	-	-	-	-	-	8,401	12%
P-AD-65	Kelsey Creek Park Stream Restoration	DES					X	X				X		200	900	159	-	-	-	-	-	1,259	0%
P-AD-69	Bellevue Challenge Grant	PLAN	X							X				773	250	-	-	-	-	-	-	1,023	2%
P-AD-70	Marina Development Master Plan	PLAN	X	X			X	X						25	163	-	-	-	-	-	-	218	11%
TOTAL APPROVED AND BEGUN														25,473	9,418	1,904	814	41	39	39	39	37,767	2,727

Phase Key:
CONST = Construction
DES = Design
PLAN = Planning

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects



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CITY LIMITS - - - - -

2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

Notes:

1. Projects P-AD-15 and P-AD-30 are not shown. Land acquisition may occur within and outside Bellevue City limits.
2. Projects P-AD-27, P-AD-34, P-AD-36, and P-AD-52 are not shown as they reflect costs related to projects located throughout the City.
3. Project P-AD-49 is not shown as it is an administrative project.
4. Projects P-AD-57, P-AD-59 and P-AD-61 are not shown. Specific locations for these projects are yet to be determined.
5. P-AD-66 and P-AD-67 are not shown, as they are systems projects, not related to geographic locations.
6. P-AD-69 is not shown, as it relates to projects which may occur throughout the City.
7. P-AD-72 is not shown, as project work will occur at numerous locations.
8. Park areas shown are general locations and are not to be interpreted as actual boundaries.

10/02

3-97

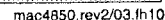
Early Outlook Forecast
2005-2011 CIP Plan

Project Status Matrix
Park Redevelopment

CIP Plan No.	Project Name	Phase	Project Purpose									Project Budget (\$000)											Actuals as a % of Total Estimated Cost (A)	Total External Funding
			Council Priority	Citizen Input	Geographic Distribution	Urgency	Park Plan Consistency	Multiple Benefits	Neighborhood Impacts	Special Funding Available	Multiple User Groups	Site Suitability	M&O Efficiencies	Estimate thru 2004	2005	2006	2007	2008	2009	2010	2011	Total Estimated Cost		
ONGOING PROGRAMS																								
P-R-2	Enterprise Facility Improvements	-											X				152	154	159	163	8,600			
P-R-11	Renovation & Refurbishment of Parks Facilities	-	X			X	X										2,052	2,083	2,289	2,357	30,351	641		
TOTAL ONGOING PROGRAMS																	2,204	2,237	2,447	2,520	38,951	641		

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects

3-98



2003-2004 City of Bellevue Budget

PARK REDEVELOPMENT

10/02

3-99

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

GENERAL GOVERNMENT

Early Outlook Forecast
2005-2011 CIP Plan

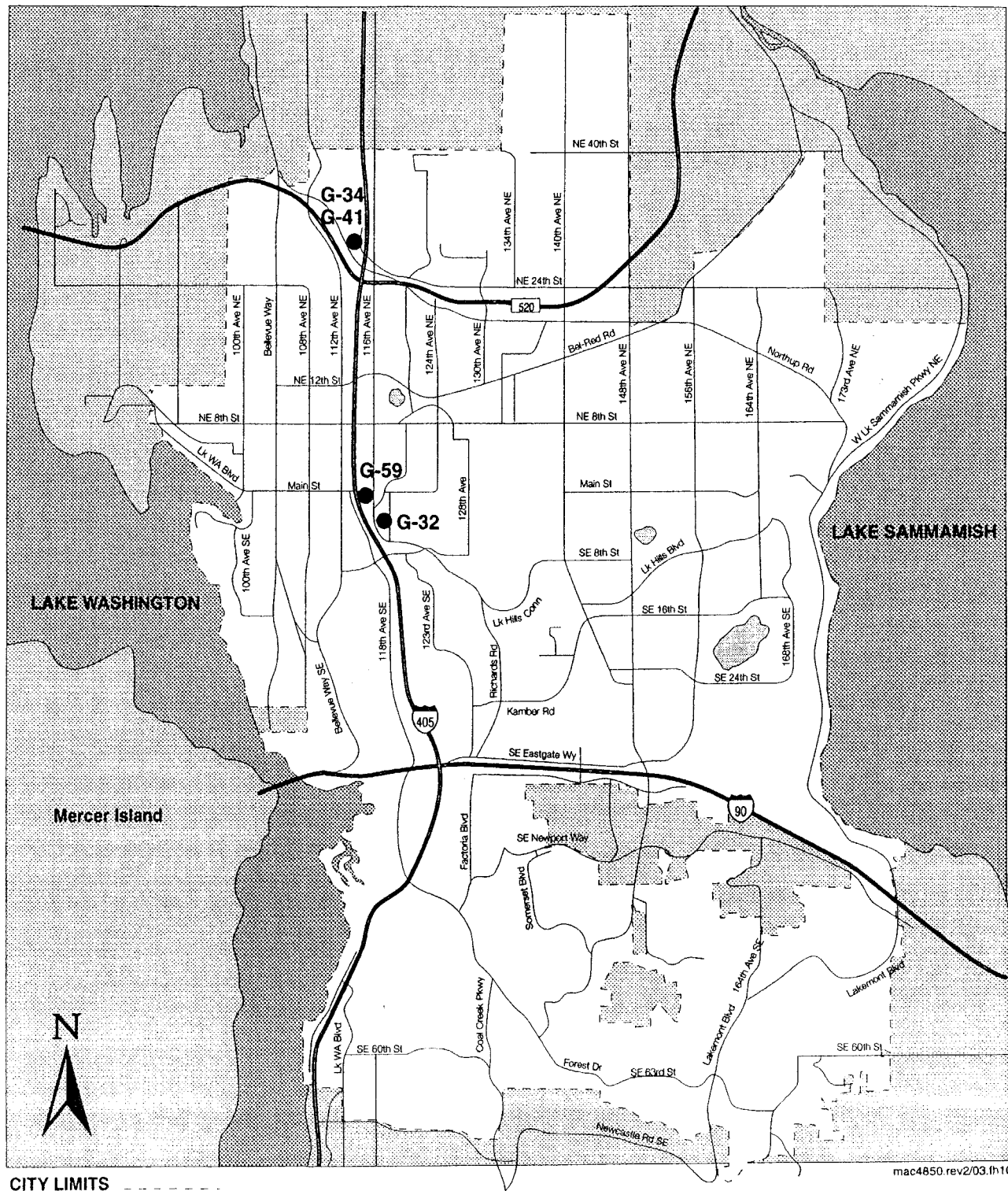
Project Status Matrix
General Government

CIP Plan No.	Project Name	Phase	Project Purpose							Project Budget (\$000)										Actuals as a % of Total Estimated Cost (A)	Total Estimated Cost	Total External Funding																													
			Health & Safety	Fiscal Stewardship	Commitment to Employees	Legal Mandates	Preservation of Capital	Investment	Support Program Delivery	Efficiency, Reliability, Obsolescence	Estimate thru 2004	2005	2006	2007	2008	2009	2010	2011																																	
ONGOING PROGRAMS																																																			
G-5	CIP Financial Management/Tracking	-		X						X											2,246	205	215	226	236	247	255	260	3,890																						
TOTAL ONGOING PROGRAMS																																								2,246	205	215	226	236	247	255	260	3,890		-	
APPROVED AND NOT BEGUN																																																			
G-37	Council Contingency	-		X																		2,529	-	-	-	-	-	-	-	2,529																					
TOTAL APPROVED AND NOT BEGUN																																									2,529	-	-	-	-	-	2,529				-
APPROVED AND BEGUN																																																			
G-41	Fleet & Comm. Maint. Shops Relocation	DES	X	X	X	X				X												191	100	1,768	-	-	-	-	-	2,059	5%	900																			
G-59	Finance/HR Systems Replacement	CONTRC		X	X																	8,010	4,575	2,397	-	-	-	-	-	14,982	20%	900																			
TOTAL APPROVED AND BEGUN																																								8,201	4,675	4,165	-	-	-	-	-	17,041		900	

Phase Key: DES = Design/Pending move to NCS
CONTRC = Under Contract

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects

3-101



CITY LIMITS

mac4850 rev2/03.fh10

2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

GENERAL GOVERNMENT

- Notes:**
1. Projects G-55 and G-47 are not shown. The projects are in multiple locations throughout the City.
 2. Projects G-5 and G-37 are administrative projects and are not shown on the map.

10/02

3-102

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

PUBLIC SAFETY

Early Outlook Forecast
2005-2011 CIP Plan

Project Status Matrix
Public Safety

CIP Plan No.	Project Name	Phase	Project Purpose				
			Maintain Existing Facilities	Fiscal Stewardship	Improve Response Times	Improve Program Delivery	Safety Issue
PS-16	Renovation of Public Safety Facilities	-	X	X	X	X	X
PS-19	Public Safety Facility Studies	-	X	X			
TOTAL ONGOING PROGRAMS							

Estimate thru 2004	Project Budget (\$000)							Total Estimated Cost (A)	Actuals as a % of Total Estimated Cost (A)	Total External Funding
	2005	2006	2007	2008	2009	2010	2011			
3,175	689	591	620	588	613	630	649	7,565		1,058
153	21	12	12	13	13	14	15	253		
3,328	710	603	632	601	626	644	664	7,808		1,058

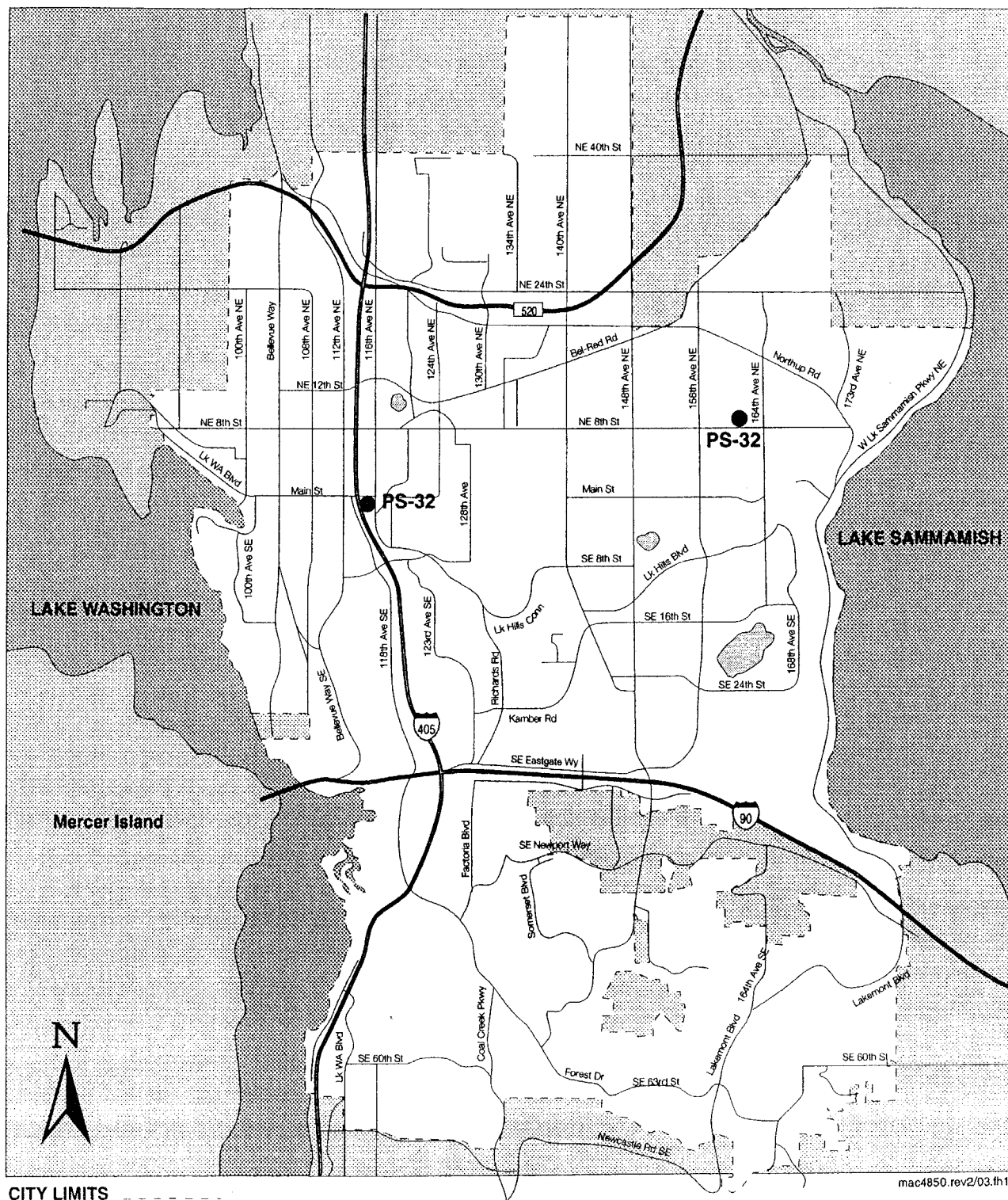
APPROVED AND BEGUN		
PS-26	Fuel Tank Renovation	CONST
PS-40	Crime Lab Improvements	DES
TOTAL APPROVED AND BEGUN		

1,276	30	-	-	-	-	-	-	1,306	96%	
797	247	-	-	-	-	-	-	1,044	76%	
2,073	277	-	-	-	-	-	-	2,350		-

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects

Phase Key: CONST = Construction
DES = Design

3-104



2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

PUBLIC SAFETY

Notes: 1. Projects PS-16, PS-19, PS-26, PS-36, and PS-53 are not shown. These projects are in multiple locations throughout the City.

10/02

3-105

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

COMMUNITY & ECONOMIC DEVELOPMENT

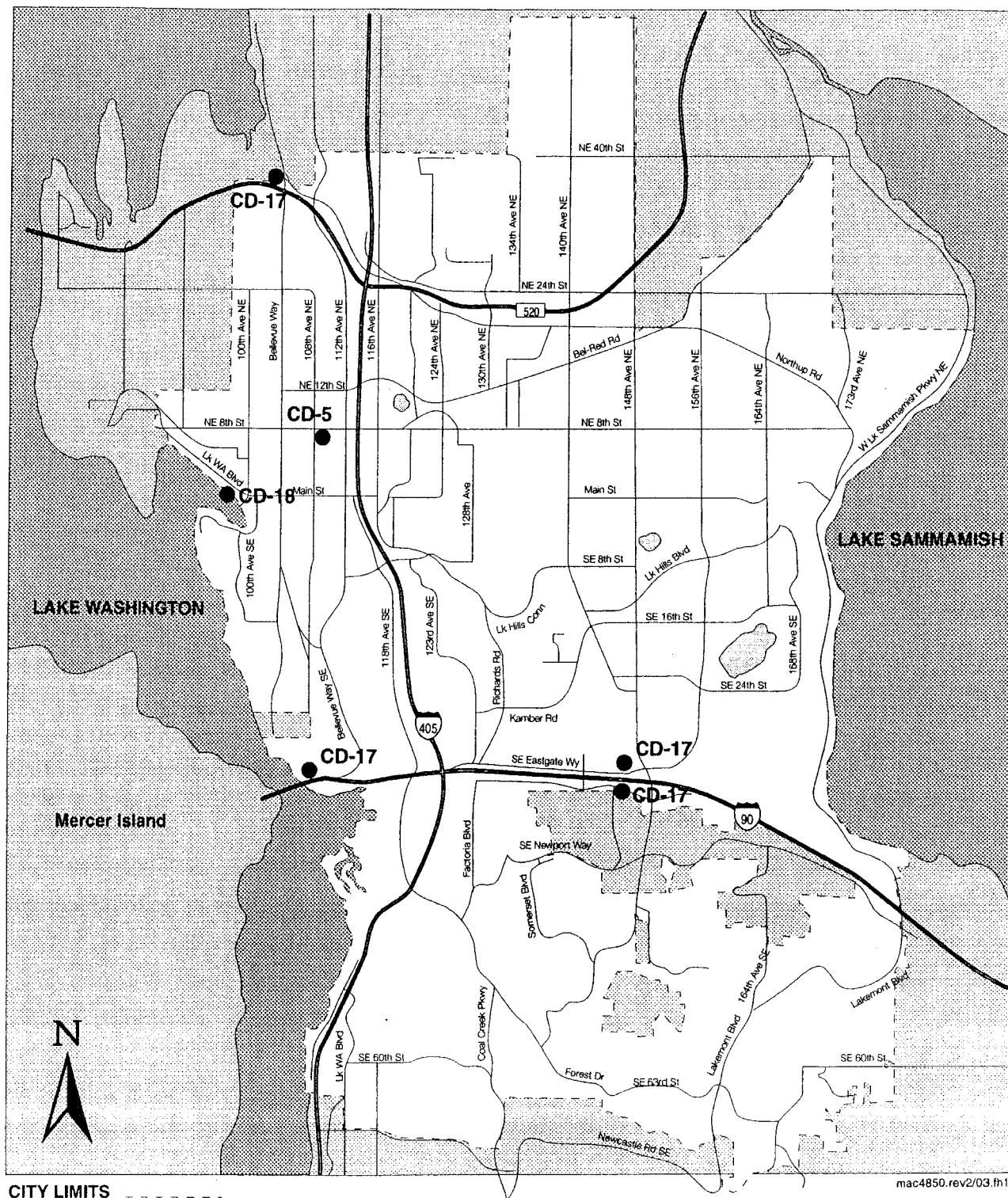
Project Status Matrix

APPROVED AND NOT BEGUN										
CD-18	Meydenbauer Marina to Downtown Link	PLAN	X	X	X	X	X	1,200	-	1,200
CD-17	Gateways and Neighborhood Identity	PLAN	X				X	400	-	600
CD-19	Early Implementation of Downtown Plan	PLAN	X		X	X	X	400	-	600
TOTAL APPROVED AND NOT BEGUN								1,300	-	2,400

Phase Key:

CONST	= Construction
DES	= Design
PLAN	= Planning
CONTRC	= Under Contract

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs nor approved and not begun projects



CITY LIMITS

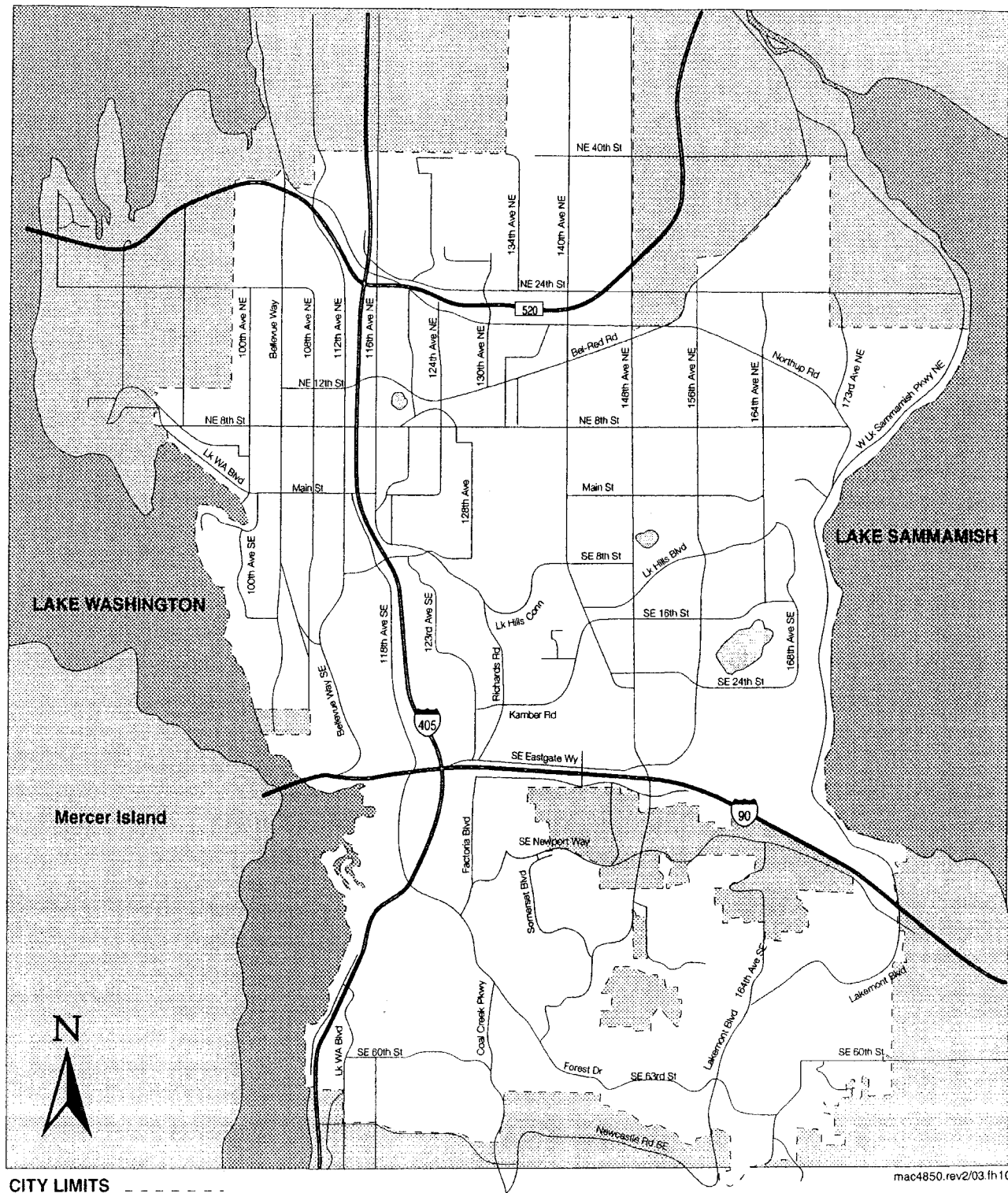
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2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

COMMUNITY DEVELOPMENT

- Notes:
1. CD-17 has multiple undetermined locations in addition to the above.
 2. CD-2, CD-11, CD-19, and CD-20 have an undetermined location in the city.



CITY LIMITS - - - - -
Current to 3/00

mac4850.rev2/03.fh10

2003-2004 City of Bellevue Budget

2003-2009 CIP Projects

ECONOMIC DEVELOPMENT

Note: ED-2 is not shown as the location is not yet determined.

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

NEIGHBORHOOD ENHANCEMENT PROGRAM (NEP)

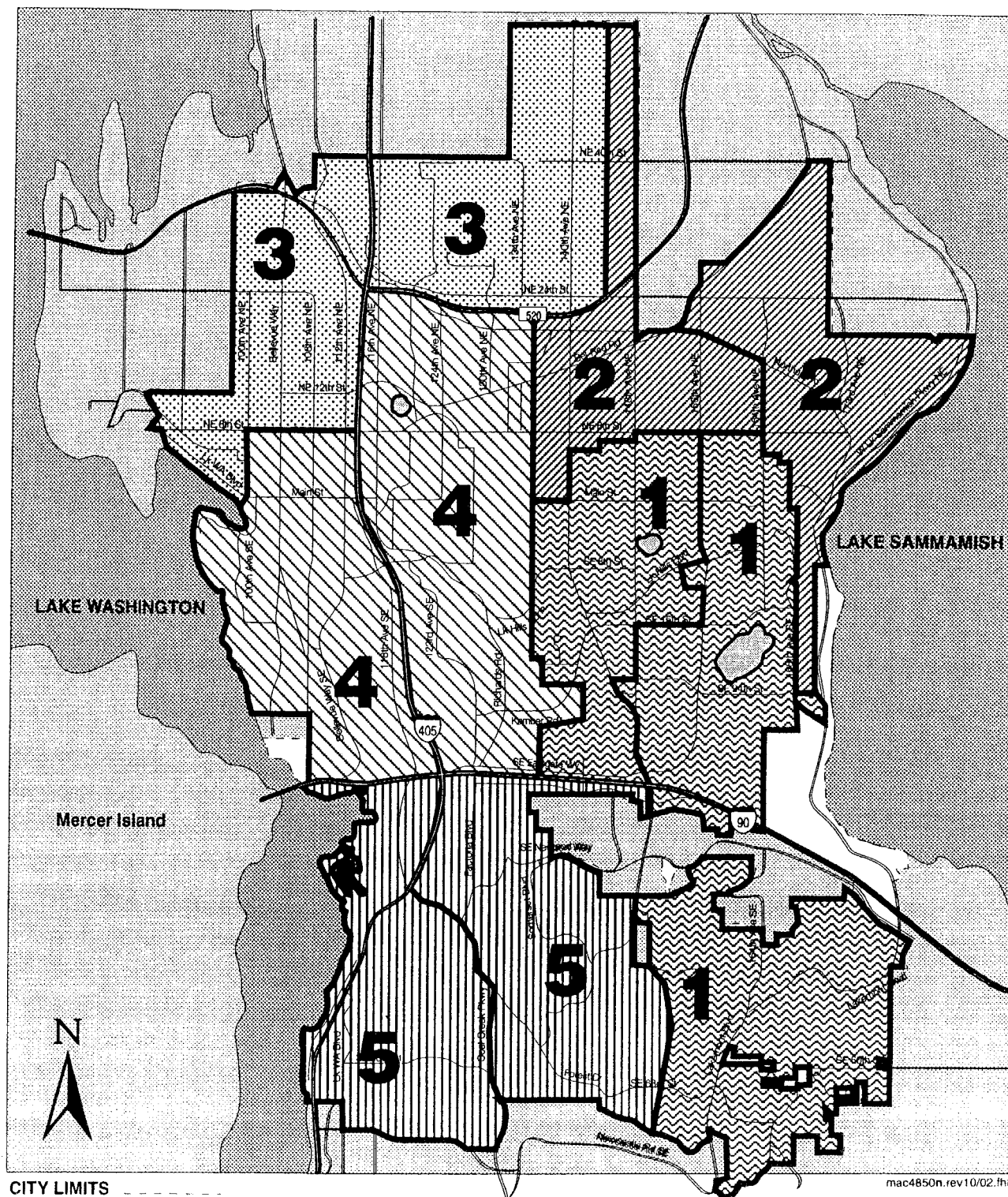
Early Outlook Forecast
2005-2011 CIP Plan

Project Status Matrix
Neighborhood Enhancement Program (NEP)

CIP Plan No.	Project Name	Phase	Project Purpose						Project Budget (\$000)										Total Estimated Cost	Actuals as a % of Total Estimated Cost (A)	Total External Funding							
			Strengthen Neighborhood Relationships	Address Issues of Aging Neighborhoods	Enhance Neighborhood Character and Identity	Groom Community Leadership	Coordinate Departmental Service Delivery	Fine tune Cross-Functional Staff Work	Estimate thru 2004	2005	2006	2007	2008	2009	2010	2011												
ONGOING PROGRAMS																												
NEP-1	Neighborhood Enhancement Program	-	X		X	X	X	X	X	11,829	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	20,229									
TOTAL ONGOING PROGRAMS										11,829	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	20,229									

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs not approved and not begun projects

3-111



CITY LIMITS
Current to 3/00

mac4850n.rev10/02.th8

2003-2004 City of Bellevue Preliminary Budget

2005-2011 CIP Plan Early Outlook

PROJECT STATUS MATRIX

AND

MAP

NEIGHBORHOOD INVESTMENT STRATEGY (NIS)

Early Outlook Forecast
2005-2011 CIP Plan

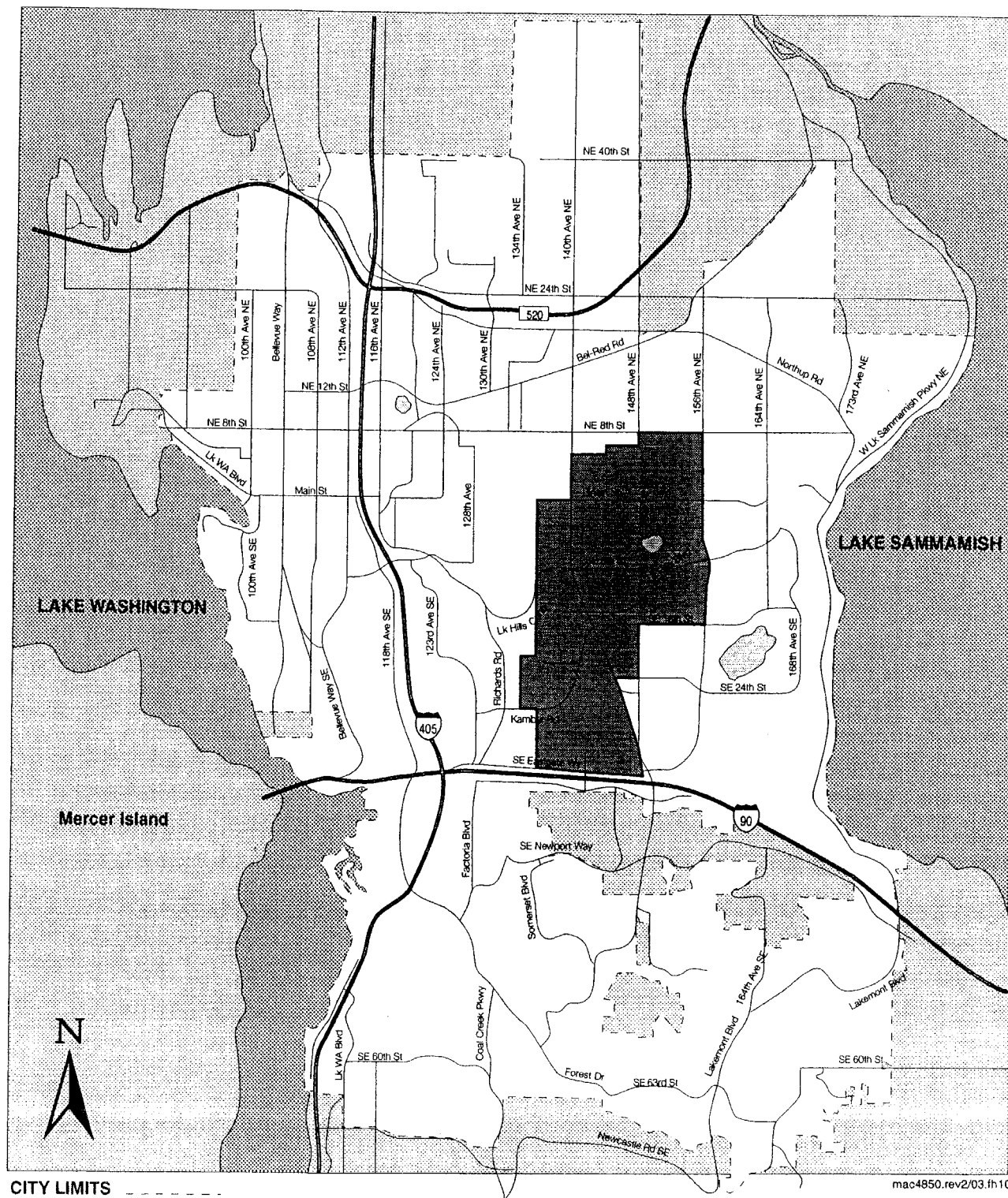
Project Status Matrix
Neighborhood Investment Strategy (NIS)

CIP Plan No.	Project Name	Phase	Project Purpose						Project Budget (\$000)								Total Estimated Cost (A)	Actuals as a % of Total Estimated Cost (A)	Total External Funding
			Strengthen Neighborhood Relationships	Address Issues of Aging Neighborhoods	Enhance Neighborhood Character and Identity	Groom Community Leadership	Coordinate Departmental Service Delivery	Fine Tune Cross-Functional Staff Work	Estimate thru 2004	2005	2006	2007	2008	2009	2010	2011			
APPROVED AND BEGUN																			
NIS-1	West Lake Hills NIS Improvements	MULT	X	X	X	X	X	X	1,200	2,700	2,600	-	-	-	-	-	6,500	100%	-
TOTAL APPROVED AND NOT BEGUN																			
									1,200	2,700	2,600	-	-	-	-	-	6,500		-

Phase Key: MULT = Multiple Sub-Projects

Notes: (A) Actuals as a % of Total Estimated Cost is not shown for ongoing programs nor approved and not begun projects

3-114



2003-2009
CIP Projects

NEIGHBORHOOD INVESTMENT STRATEGY

3-115

CITY COUNCIL STUDY SESSION ITEM**SUBJECT:**

Project update for West Lake Sammamish Parkway Alternative Analysis (CIP Plan No. PW-R-141), NE 24th Street Pre-Design Analysis – Northup Way to 130th Avenue NE (CIP Plan No. PW-W/B-69), and 119th Avenue SE – SE 60th Street to Lake Heights Street (CIP Plan No. PW-W/B-64).

STAFF CONTACT:

Goran Sparrman, 425-452-4338 / David Berg, 425-452-6468 / Nancy LaCombe 425-452-4382 / Rick Logwood, 425-452-6858 / Les Wagner 425-452-7669

POLICY ISSUES:

The need for these projects is consistent with the Transportation element of the City of Bellevue Comprehensive Plan, which guides the maintenance of our existing street system; management of vehicular, pedestrian, and bicycle systems; and minimized impacts on the City's environment and quality of life.

DIRECTION NEEDED FROM COUNCIL:

☐ Action
☐ Discussion
☒ Information

BACKGROUND/ANALYSIS:

Each of the projects, West Lake Sammamish Parkway, NE 24th Street, and 119th Avenue SE, are only partially funded through the CIP. The following is a brief status of these projects. More detailed project status and budget updates will be provided at the June 28, 2004 Council Study Session.

- West Lake Sammamish Parkway (CIP Plan No. PW-R-141) was funded through the 2003-2009 CIP for analysis of alternatives, with a small balance of funds for possible construction of early implementation items. Residents and stakeholders have been working together through a series of workshops to identify an alternative as a candidate project for the 2005-2011 CIP. The final project workshop was held on June 8, 2004. Open Houses were held on June 17, 22 and 23, 2004. The project was presented to the Transportation Commission on June 24, 2004.

This update is to present to Council the results of the public involvement process.

- NE 24th Street (CIP Plan No. PW-W/B-69) was funded through the 2003-2009 CIP for a pre-design analysis of alternatives. On June 16, 2003, Council adopted Ordinance No. 5447 that increased the project budget by \$1,334,000 and amended the project scope to include final design, right-of-way acquisition, and some construction elements. The \$1,334,000

budget increase was a placeholder until a preferred alternative was selected. Two Open Houses and two Workshops were held between December 2003 and April 2004. The result was the selection of a recommended preferred alternative and project phasing options that has the support of the community.

This update is to present to Council the recommended preferred alternative, planning level cost estimates, and phasing options before proceeding with developing the final design.

- 119th Avenue SE (CIP Plan No. PW-W/B-64) was funded through the 2003-2009 CIP to conduct a public involvement process to refine the scope of improvements, design the preferred alternative, and possibly construct the initial phase of the improvements. Construction funding was to be refined during the design process. The public involvement process consisted of two newsletters with questionnaires, two Open Houses, and two community club meetings.

This update is to share with Council the results of the public involvement process and to discuss the next steps on this project.

ATTACHMENTS:

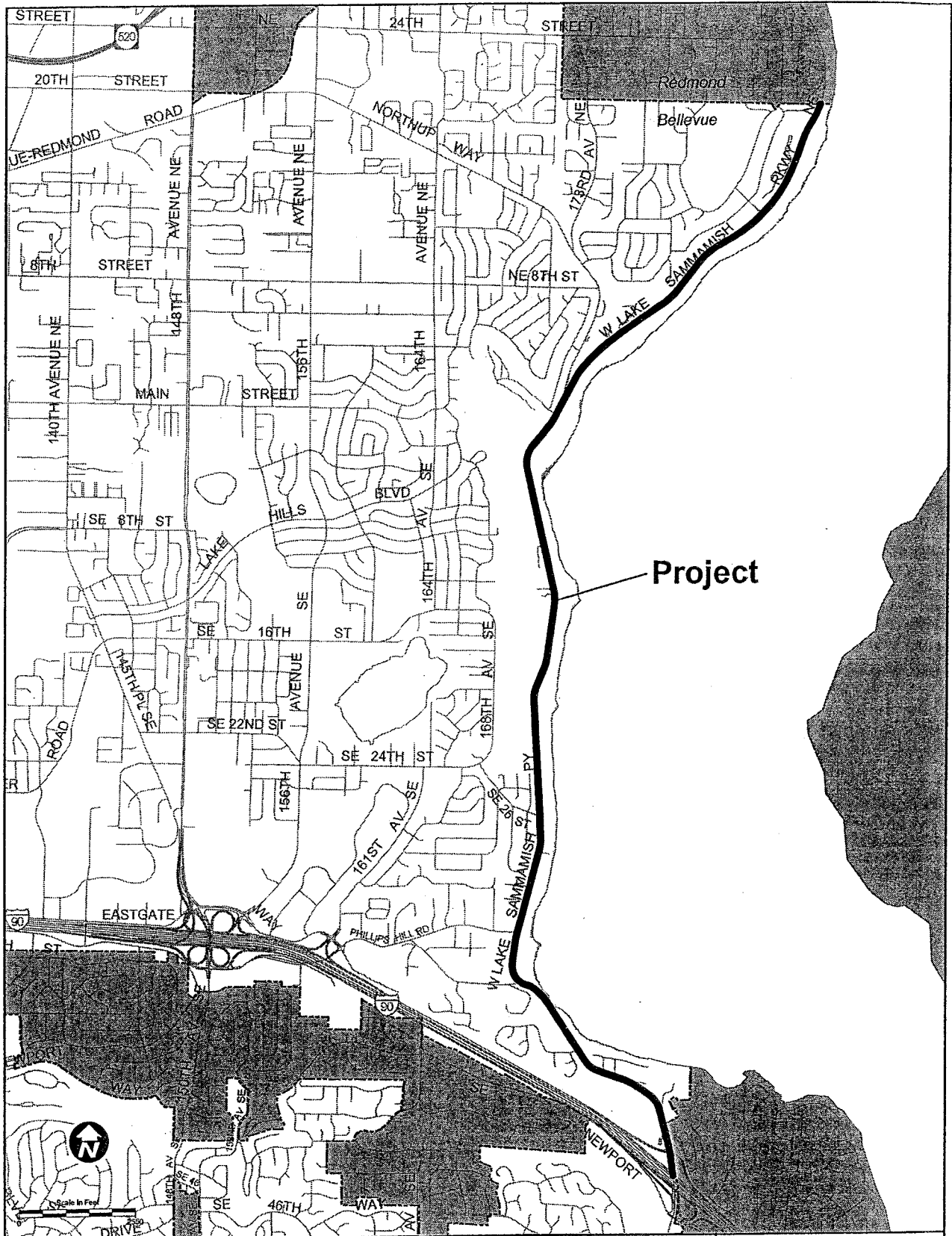
Vicinity Maps

CIP Project Descriptions

AVAILABLE IN COUNCIL OFFICE:

Presentation Copies

West Lake Sammamish Parkway Analysis

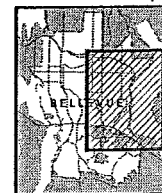


City of Bellevue
Transportation Department
Real Property

Plot Date: 7/31/2003

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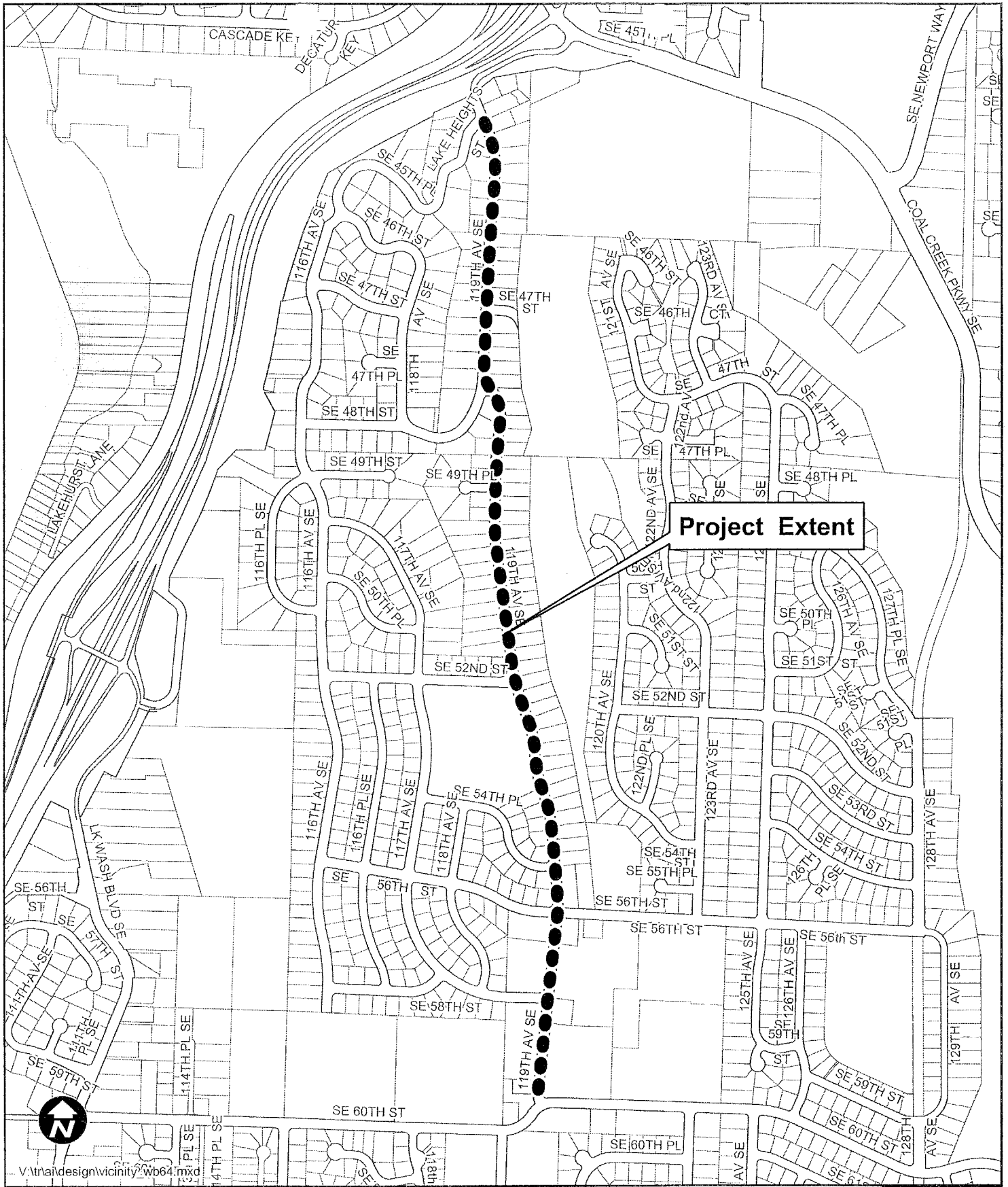
Extent of Main Map



3-118

[illegible]

3-119



1 inch equals 770 feet

City of Bellevue
IT Department
GIS Section

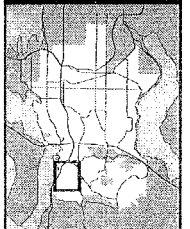
Plot Date: 2/5/2003

Vicinity map

PW-WB-64

3-120

Map Location



2003-2009 Adopted CIP: Transportation-Roadways**CIP PLAN NUMBER:** PW-R-141**CIP FUND/PROJECT NUMBER:** 3680-128**PROJECT NAME:** West Lake Sammamish Parkway Analysis**PROJECT LOCATION:** West Lake Sammamish Parkway - North City limits to I-90**DEPT/PROGRAM:** Transportation/Transportation System Operations**STATUS:** Approved and Not Begun**ACTUAL/ESTIMATED START DATE:** 2003**ESTIMATED COMPLETION DATE:** 2004

PROJECT DESCRIPTION/SCOPE: This project will conduct an analysis of existing conditions and possible future treatments to the Parkway between the north City limit and Interstate 90 on the south. The project will include an alignment survey and extensive community outreach/involvement facilitation in the development of a conceptual or preliminary design for the preferred alternative. Alternative roadway improvements will be developed and analyzed with consideration given to traffic engineering principles, intersection treatment, traffic calming, lighting, pedestrian and bicycle facilities, private property access, parking, public art, drainage and environmental issues, including Endangered Species Act consideration. The project will also develop detailed cost estimates for any alternatives developed.

PROJECT JUSTIFICATION/BENEFITS: This project will begin with the work completed in a joint (Bellevue, Redmond, King County) West Lake Sammamish Parkway Study completed in 1996. Growing traffic volumes in recent years and Bellevue's annexation of the long, southern segment of this road provide the impetus for re-evaluating the roadway and potential improvements at this time. The Pedestrian and Bicycle Transportation Plan Update (1999) and the East Bellevue Transportation Study (1992) identify the need for bicycle lanes on both sides and sidewalk on one side of this entire corridor. The East Bellevue Transportation Study also identifies the need for left turn lanes at specified locations.

ENVIRONMENTAL IMPACTS: An environmental analysis will be made in conjunction with preliminary engineering for this project.

CHANGES TO PREVIOUSLY APPROVED PROJECT DESCRIPTION:

Capital Cost/Revenue: Capital costs have decreased by \$26,000 due to the use of lower inflation factors.

PROJECT BUDGET:

\$000

	Through 2002	2003	2004	2005	2006	2007	2008	2009	2003-2009 Total	Project Total
TOTAL CAPITAL COST:		270	290						560	560
REVENUE:										
General CIP Revenue		270	290						560	560
TOTAL REVENUE		270	290						560	560
M&O COSTS:										

Capital Costs Beyond 2009: NA

3-121

2003-2009 Adopted CIP: Transportation - Walkways/Bikeways**REVISED PROJECT DESCRIPTION EFFECTIVE 6/03****CIP PLAN NUMBER:** PW-W/B-69**CIP FUND/PROJECT NUMBER:** 3680-554**PROJECT NAME:** NE 24th Street - Northup Way to 130th Avenue NE**PROJECT LOCATION:** NE 24th Street - Northup Way to 130th Avenue NE**DEPT/PROGRAM:** Transportation/Transportation Improvements**STATUS:** Approved and Begun**ACTUAL/ESTIMATED START DATE:** 2003**ESTIMATED COMPLETION DATE:** 2005

PROJECT DESCRIPTION/SCOPE: Conduct a pre-design analysis to evaluate alternatives, including the scope identified in the Pedestrian and Bicycle Plan Update: Construct sidewalk on north side, curb lanes for bicycles and multi-purpose trail on south side. The project will include community outreach/involvement facilitation, the development of a preliminary design and detailed cost estimates for complete and/or phased implementation of the improvements. The pre-design analysis will also evaluate short-term, interim improvements that may be constructed to address pedestrian safety issues. The project budget includes funding for final design and a placeholder for right-of-way acquisition and construction of the ultimate improvements. Final project cost estimates and completion schedule will be determined through the Pre-Design Analysis process.

PROJECT JUSTIFICATION/BENEFITS: This project will evaluate pedestrian and bicycle system connectivity and safety issues on this key east-west thruway in the north part of the City. This section of roadway has narrow lanes and shoulders and no ped/bike facilities in certain segments. Eventual construction of the improvements will improve safety for pedestrians and bicyclists by separating them from vehicular traffic. The improvements would also improve non-motorized access from neighborhoods in the vicinity to shopping, transit and school bus services, a large church and recently completed and planned ped/bike facilities on Northup Way, 116th Avenue NE and along SR 520. This project is identified in the Pedestrian and Bicycle Transportation Plan Update (1999) as a high priority.

ENVIRONMENTAL IMPACTS: An environmental determination will be made for this project in conjunction with preliminary engineering.

CHANGES TO PREVIOUSLY APPROVED CIP PROJECT DESCRIPTION:

Project Description/Scope: The project scope has been modified to reflect that additional budget will fund final design and a placeholder for right-of-way acquisition and construction of the improvements identified in the pre-design analysis.

Capital Cost/Revenue: Capital costs have increased by \$1,334,000 as a placeholder to implement the project identified in the Pre-Design Analysis.

Project Schedule: The estimated completion date has been extended to 2005 to allow for final design and construction.

PROJECT BUDGET:

\$000

	Through 2002	2003	2004	2005	2006	2007	2008	2009	2003-2009 Total	Project Total
TOTAL CAPITAL COST:		50	354	1,083					1,487	1,487
REVENUE:										
Real Estate Excise Tax			251	1,033					1,284	1,284
Transp Funding				50					50	50
General CIP Revenue		50	103						153	153
TOTAL REVENUE		50	354	1,083					1,487	1,487
M&O COSTS:										

Capital Costs Beyond 2009: NA

3-122

2003-2009 Adopted CIP: Transportation – Walkways/Bikeways

CIP PLAN NUMBER: PW-W/B-64

CIP FUND/PROJECT NUMBER: 3680-549

PROJECT NAME: 119th Avenue SE – SE 60th Street to Lake Heights Street

PROJECT LOCATION: 119th Avenue SE – SE 60th Street to Lake Heights Street

DEPT/PROGRAM: Transportation/Transportation Improvements

STATUS: Approved and Begun

ACTUAL/ESTIMATED START DATE: 2003

ESTIMATED COMPLETION DATE: Post 2005

PROJECT DESCRIPTION/SCOPE: This project will entail a public involvement process to refine the scope of improvements, design the preferred alternative, and possibly construct the initial phase of the improvements. Construction funding will be refined during the design process.

PROJECT JUSTIFICATION/BENEFITS: This project will provide a safer connection for pedestrians and bicyclists to schools, parks, transit, and Newport Hills Shopping Center by completing a missing sidewalk as part of a major connection to Factoria. This route is part of a comprehensive network of pedestrian and bicycle improvements identified as high priority in the Pedestrian and Bicycle Transportation Plan Update (1999). The existing roadway has no sidewalks and only a shoulder for bicycle use. Benefits include increased safety for non-motorized traffic on 119th Avenue SE and completion of a missing link of sidewalk on a corridor providing access to schools, parks, transit and retail uses.

ENVIRONMENTAL IMPACTS: An environmental determination will be made in conjunction with preliminary engineering for this project.

CHANGES TO PREVIOUSLY APPROVED CIP PROJECT DESCRIPTION:

Capital Cost/Revenue: Capital costs have decreased by \$114,000 to reflect a reduction in previously applied inflation.

PROJECT BUDGET:

\$000

	Through 2002	2003	2004	2005	2006	2007	2008	2009	2003-2009 Total	Project Total
TOTAL CAPITAL COST:	12	278	409	504					1,191	1,203
REVENUE:										
Gen CIP Revenue	3	278		504					782	785
Transp Funding	9		409						409	418
TOTAL REVENUE	12	278	409	504					1,191	1,203
M&O COSTS:					2	2	2	2		

Capital Costs Beyond 2009: NA

CITY COUNCIL STUDY SESSION ITEM

SUBJECT:

Comcast Cable Television Franchise Renewal

STAFF CONTACT:

Goran Sparrman, 452-4338; Nora Johnson, 452-4167, David Kerr, 452-6139

POLICY ISSUES:

The policy of the City of Bellevue is to conduct the cable franchise renewal process as provided by federal law in Section 626 of the Cable Communications Policy Act, [47 U.S.C. § 546] and in Bellevue City Code Chapter 5.30, Cable Communications.

FISCAL IMPACT:

Staff is seeking Council direction on a number of key policy issues that will have an impact on the City's tax and fee structure. These policy issues are discussed in greater detail in the remainder of this agenda memo.

DIRECTION NEEDED FROM COUNCIL:

- ☐ Action
- ☒ Discussion
- ☐ Information

Staff is seeking specific direction from Council on three key franchise policy issues:

1. Should the proposed franchise provide the ability for the City Council to request a \$450,000 up-front capital contribution to meet capital funding needs for BTV? This would be recovered as a "PEG Fee" line item on subscriber monthly bills at the rate of up to \$0.25 per subscriber per month. The PEG Fee would be capped at \$0.25 for the proposed five year term of the franchise. (see Franchise Section 9.5)
2. Should the City grant Comcast the indefeasible right of use (one that cannot be revoked for the term of the agreement) for City owned conduit and pathway for relocation of the I-Net facilities from the current City Hall to the new City Hall location in exchange for a one-time payment of \$43,000? (see Franchise Exhibit A)
3. Should the City enter into the Memorandum of Understanding Pertaining to the Application of Cable Franchise Fees to Certain Tax Obligations extending the utility tax offset in the existing cable TV franchise until December 31, 2004? (see Franchise Exhibit B)

BACKGROUND/ANALYSIS:

The federal Cable Act established a 36-month window for the cable renewal process. The current franchise expires in July 2004. The City began the 36-month franchise renewal process in September 2001. Over the course of the last two and one half years the City notified community stakeholders, conducted a needs ascertainment study and actively negotiated a new franchise with Comcast.

Key Franchise Provisions

There are a number of significant franchise provisions that address key cable related issues in ways that are favorable to the City. A summary of the key provisions is included as Attachment A.

Key Franchise and Policy Issues for Council Consideration

There are three key policy issues for which staff seeks specific Council consideration and direction:

Issue 1. Capital Contribution of \$450,000 for BTV recovered through a PEG fee.

The cable related community needs ascertainment process identified certain needs related to the existing and ongoing operation of our local government access channel, BTV. In particular, BTV identified the following specific needs as emerging issues at the City Council Budget Retreat on April 19, 2004 (Attachment B).

- BTV and BCC have discussed a long-term capital funding commitment to Bellevue Community College of \$332,000 to renew the interlocal agreement with the college. This interlocal agreement gives the City access to BCC studio facilities, production equipment and student production crews in exchange for the City providing capital funds for the facilities and equipment. This relationship is beneficial for both BCC and the City.
- Approximately \$100,000 will be needed for the replacement of BTV's equipment at City Hall. This replaces the existing BTV equipment used for live City Council meetings. This equipment will reach the limit of its useful life during the five-year term of the new franchise.

In the course of franchise negotiations, Comcast has indicated that it is willing to provide an upfront capital contribution of \$450,000 to meet necessary capital support for BTV. Per federal law this would be an "external cost" and recoverable through a PEG Fee. Over the proposed five year term of the franchise this \$450,000 upfront capital contribution would be recovered as a line item on subscriber monthly bills at the rate of \$0.25 per subscriber per month.

The \$0.25 PEG Fee, should Council elect to collect it, would be sufficient to meet the anticipated BTV/BCC needs over the five year term of the proposed franchise. The proposed franchise would establish a PEG Fee capped at \$0.25 so that the PEG Fee could not increase to more than \$0.25 during the franchise period. The PEG Fee and the funding alternatives to meet BTV needs are discussed in Attachment B, the 2005-2006 Budget Workshop Issue Paper: BTV Equipment Replacement. Additionally, through prudent management of the existing BTV operating budget an equipment replacement reserve fund will be established so that it will not be necessary to maintain the \$0.25 PEG fee for these needs after the end of the five-year term of the proposed franchise. The City will be able to meet future BTV/BCC capital needs with the use of this replacement reserve fund rather than through a future PEG Fee.

External Cost Recovery

The Federal Communications Commission rules provide that cable operators may recover the "external costs" associated with additional capital and operating requirements imposed by a franchise. This would include the costs for access channels, studios, and equipment; Institutional Networks; and increased customer service standards (hiring additional employees, capital investments, etc.). Cable operators may then, at their discretion, either recover these external costs as part of the basic service rate or as a separate line item fee on subscribers' bills.

Subscriber Willingness To Support

In a statistically valid telephone survey conducted in December 2003 a majority of City of Bellevue cable customers indicated that they are willing to pay at least some additional amount per month to support BTV government programming capital costs.

- 63% indicated that they are willing to pay up to an additional \$0.10 per month
- 50% indicated that they are willing to pay up to an additional \$0.20 per month
- 45% indicated that they are willing to pay up to an additional \$0.25 per month

Council Direction Sought

Should the proposed franchise provide the ability for the City Council to request a \$450,000 up-front capital contribution to meet capital funding needs for BTV? This would be recovered as a "PEG Fee" line item on subscriber monthly bills at the rate of up to \$0.25 per subscriber per month. The PEG Fee would be capped at \$0.25 for the proposed five year term of the franchise.

Issue 2. Indefeasible Right of Use Agreement for the Municipal I-Net Relocation (Franchise Exhibit A).

One of the primary objectives of the Comcast franchise renegotiation was to secure the relocation of existing I-Net facilities from the current City Hall location to the new City Hall location. The relocation to the opposite side of I-405 complicates and increases the cost of the I-Net relocation. The City requested that Comcast relocate the I-Net to the new City Hall at Comcast's cost and expense. Comcast requested that the City explore the possibility of providing conduit and pathway to reduce the cost of the I-Net relocation.

Upon investigation the City determined that it had spare conduit capacity on Main Street, across the I-405 overpass and then up 112th Avenue NE to the new City Hall location. The franchise, through the Indefeasible Right of Use (Exhibit A), proposes to make this spare conduit capacity and pathway available to Comcast and Comcast, in exchange, agrees to pay the City \$43,000 as a one-time fee for the right to use the conduit and accessory structures as pathway to the new City Hall.

As previously presented to Council as part of the technology update for the new City Hall, the \$43,000 "right of use payment" has been identified as a funding source for the internal cable and video distribution backbone in the new City Hall. This system would

have the ability to deliver cable television programming (including BTV) and potentially in-house video and television content throughout the new City Hall facility. This system is a baseline system that is the first item below the funding line for the approved budget for the new City Hall.

Council Direction Sought

Should the City grant Comcast the indefeasible right of use for the conduit and pathway for relocation of the I-Net facilities from the current City Hall to the new City Hall location in exchange for a one-time payment of \$43,000?

Issue 3. Memorandum of Understanding Pertaining to the Application of Cable Franchise Fees to Certain Tax Obligations (Franchise Exhibit B).

Section 6.03 of the current cable TV franchise reads:

6.03 APPLICATION OF FRANCHISE FEE TO CERTAIN TAX OBLIGATIONS. This Franchise is not intended to diminish or limit the City's power to tax Grantee or any other entity, provided, however, that the City and Grantee do not intend to make Grantee subject to duplicate payment obligations resulting from the imposition of both a tax on gross income and a franchise fee or Capital Contribution. Accordingly, the franchise fee payment and Capital Contribution for any given year shall apply to the Grantee's tax obligation amount for that year under the City's utility occupation tax (or similar tax on gross income) to the extent that said franchise fee payments and Capital Contributions derive from activities that would otherwise be subject to said tax in that year.

In the proposed franchise agreement before Council, this "offset" has been removed. Consequently, the City will need to consider how to address the utility tax issue with Comcast going forward.

Staff has drafted and Comcast has agreed to a memorandum of understanding (Exhibit B of the proposed franchise) that will preserve the language and offset in the existing franchise through December 31, 2004. This is intended to allow sufficient time for Council to consider and provide direction on the utility tax issue as part of the current budget process. The Finance Department will bring the utility tax forward as part of its revenue discussion with Council on July 6, 2004.

Council Direction Sought

Should the City enter into the proposed memorandum of understanding to preserve the utility tax language and offset in the existing franchise through December 31, 2004?

ALTERNATIVES:

- 1) Direct staff to bring the proposed Comcast franchise resolution, with exhibits, back to Council for final action.
- 2) Direct staff to make revisions or changes to the proposed franchise resolution.

- 3) Provide alternative direction to staff.

RECOMMENDATION:

Staff recommends Alternative No. 1. Direct staff to bring the proposed Comcast franchise resolution, with exhibits, back to Council for final action.

ATTACHMENTS:

- Attachment A: Summary of Key Franchise Provisions
- Attachment B: 2005-2006 Budget Workshop Issue Paper: BTV Equipment Replacement
- Attachment C: Proposed Comcast Franchise Resolution No. _____

AVAILABLE IN COUNCIL OFFICE FOR REVIEW:

2003 Comcast franchise Telephone Survey Results
KFA Service – Comcast Profitability Report

SECTION 1. DEFINITIONS

- 1.19 Gross Revenues Same as the definition of gross revenue in the Cable Ordinance Chapter 5.30.
- 1.28 Right-of-Way Includes easements and similar public property as in the PSE franchises.
- 1.29 School Means any State accredited K-12 public or private educational institution in the City of Bellevue.

SECTION 2. GRANT OF FRANCHISE

- 2.1 Grant The franchise is an express authorization to provide cable services but it does not bar the imposition of any lawful conditions on the delivery of non-cable services, telecommunications services or information services.
- 2.2 Duration Five (5) years from the effective date of this Franchise.

SECTION 4. ADMINISTRATION AND REGULATION

- 4.2(G) No Rate Discrimination Rates and charges shall not disadvantage a cable-only subscriber in favor of subscribers who take cable and one or more other types of service(s) the company might offer.
- The company agrees, as a voluntary initiative throughout the term of the Franchise, to offer a discount of 30% for residents over 65 or who are disabled, for Basic Cable Services.

SECTION 5. FINANCIAL AND INSURANCE REQUIREMENTS

- 5.1 Indemnification The company shall indemnify the City for any damages, claims, additional costs or expenses related to the failure to remove, adjust or relocate any of its facilities in a timely manner in accordance with any relocation required by the City for a city project.
- 5.3 Security Requires a franchise performance bond in the amount of \$500,000 and additional construction and/or Right-of-Way bonds as required.

SECTION 6. CUSTOMER SERVICE

- 6.1 Customer Service Must comply with the newly enacted Customer Service Standards and future changes or amendments to those standards.

SECTION 8. PROGRAMMING AND CHANNEL CAPACITY

- 8.3 Complementary Cable Will provide without charge, a standard installation and one outlet Basic Service to each fire station, police station, school, public library, and other municipal buildings.

SECTION 9. GOVERNMENTAL AND EDUCATIONAL ACCESS AND I-NET

- 9.1 Access Channels Two (2) Access Channels for Government and Educational Access
- Two (2) additional Access Channels if there is a demonstrated community need and Subscriber demand
- 9.4 Institutional Network The City may require I-Net connections between the existing I-Net locations and/or additional I-Net connections to other City buildings or public schools at time and materials cost.
- The City may its own conduit and/or fiber or fiber and/or conduit provided by a third party for the purpose of expanding the I-Net to achieve the most economical coverage.
- 9.5 Support for Capital Costs During the term of the franchise the City may request a one time Access Capital Contribution in an amount not to exceed \$450,000 to be used by the City to purchase, replace and maintain the Access programming and production equipment and facilities.
- The company may recover this amount as a "PEG Fee" in an amount, as set periodically throughout the term of the Franchise by the City Council, not to exceed \$0.25 per subscriber per month.
- 9.6 Return Lines Upon the anticipated relocation of Bellevue City Hall from its current location to the new City Hall location, the company shall construct and maintain a fiber-optic return line from that location to the City/BCC headend at Bellevue Community College and to the cable system headend from the City/BCC headend.

SECTION 10. GENERAL RIGHT-OF-WAY USE AND CONSTRUCTION

- 10.6 Relocation of Facilities (A) The company shall assume the costs (in accordance with applicable law) associated with any requirement of the City relocate its cable system facilities located in the Right-of-Way.

(B) At the request of any person/entity holding a valid City permit the company must relocate its facilities but the third party is not responsible for the cost if the project is identified by the City as a part of a City capital improvement project.

10.10 Undergrounding of Cable Requires undergrounding when there is a change or intensification of use or when all aerial facilities go underground and the utility poles are removed.

SECTION 11. SYSTEM DESIGN AND CAPABILITY

11(B) Upgrade Throughout the term of the franchise, the company shall provide additional facilities and equipment, expand cable system channel capacity, and otherwise upgrade or re-build its cable system as required to incorporate improvements in technology as necessary to reasonably meet the needs and interests of the community, in light of the costs thereof.

SECTION 15. DISPUTE RESOLUTION AND REVOCATION

15.1 Disputes Provides process for dispute resolution for non material obligations under the franchise

15.2 Revocation Incorporates the revocation and termination process and

15.3 Procedure procedures from in the Cable Communication Ordinance Chapter 5.30

REPRINTED FROM 4/19/04 COUNCIL BUDGET RETREAT PACKET

2005-2006 Budget Workshop Issue Paper

BTV Equipment Replacement

Budget Impact Summary	2005-2006 Operating	2005-2011 CIP
Potential Expenditure Impact	\$450,000	
Potential Revenue Impact (+/-)		
FTE (+/-)		

Issue description/background: Bellevue Television (BTV) needs capital funding to continue its current level of service and maintain a financially beneficial relationship with Bellevue Community College (BCC). Funding is required for the replacement of television production equipment that was purchased beginning in 1994.

- BTV is a key outlet for city communications with residents, providing citizens direct access to City Council meetings and unique television coverage of city government, local business, arts, and community events and services. Performance measure survey data indicates that about 1,800 Bellevue households tune to BTV at least once a week, and another 3,600 households watch at least every two weeks.
- The city and BCC cooperate under a mutually beneficial interlocal agreement. This agreement gives BTV access to studio facilities that would cost an estimated \$2 million to duplicate (Redmond is spending \$1.8 million on studio facilities and supporting equipment) and saves the city \$30,000 a year in labor costs through the use of student television production staff rather than city employees or contractors. BCC received capital funding in 1994 from the city for television production equipment installed in the studio that is shared by the college and the city. The interlocal agreement will expire on Oct. 2, 2004. BCC requires a capital funding contribution from the city in order to renew this mutually beneficial agreement.
- A replacement reserve was not established when the city provided \$325,000 to BCC for equipment purchased as a condition of the current interlocal agreement. In addition, no replacement reserve was established when the city purchased television production equipment for the Council Chambers and Council Conference Room. Since these funds were provided via the cable franchise renewal, no replacement reserve was established, presuming that funds would again be provided for equipment during the subsequent renewal. Equipment purchased since 2000, including the cablecast automation system approved by the Council in 2001, is on a replacement program and not included in this request.
- The oldest equipment is ten years old (three years beyond its standard useful life) and needs to be replaced no later than early 2005. Other equipment will need to be replaced during the next two to three years. All of the equipment replaced serves current, ongoing, functions and would need to be replaced even if we were not moving to a new building.

Priority: High.

- BTV is a high-value city-owned communications medium.
- The interlocal agreement with BCC is valuable because:
 - The city saves \$30,000 annually in operating costs for TV production staff
 - The agreement provides access to and maintenance of studio facilities that would cost approximately \$2 million to duplicate; leaving BCC would increase costs for space (editing, administration, and storage), engineering and maintenance services (currently provided by BCC), and location and maintenance of our shared cablecast automation system (which is the source of BTV's cablecast signal).

Budget Impact: \$450,000 is needed during the proposed five-year term of the franchise agreement with Comcast in order to meet BTV equipment replacement needs:

- Approximately \$350,000 to replace equipment shared with BCC and to extend the interlocal agreement. At least \$130,000 of that amount is needed in 2005.
- Approximately \$100,000 to replace existing television production equipment (cameras, TV monitors, etc.) used to televise live City Council meetings from the Council Chambers and Council Conference Room at City Hall.

This amount would cover the replacement of existing BTV / BCC television equipment over the next five years. A replacement reserve will be established within the existing budget, using franchise fee revenue to meet future anticipated equipment replacement needs. BTV's operating funds are adequate to meet current operating needs.

Funding options:

- Funding through the cable franchise: Comcast has agreed that the city may request up to \$450,000 in capital during the term of the new franchise agreement. Comcast would recover this amount by collecting up to \$0.25 per subscriber per month (depending on the amount the city requests and the term of the franchise) as a separate line item on subscriber bills. Each ten-cent increment would generate approximately \$180,000 in capital funding over the five-year life of the Comcast franchise agreement. The City of Bellevue currently has authority to impose a PEG fee but has not done so.
- Funding through Operating Budget allocation: Allocate BTV capital funding from the Operating Budget, either as a lump sum or as a predetermined amount in each of the next five years. Reallocating money in the Operating Budget for BTV equipment replacement needs will reduce money available in the Operating Budget that is currently allocated for other purposes. BCC requires a minimum of \$130,000 in 2005 to meet immediate equipment replacement needs and to continue the interlocal agreement.

Risk Assessment: High

- If the interlocal agreement with BCC is discontinued, BTV will need a significant operating budget increase to compensate for higher costs or will need to significantly reduce the level of service for this key outlet for city communication with residents.
- Maintenance and repair costs will increase as equipment ages.
- The city risks loss of a positive, beneficial agreement with another local institution (BCC).

Staff contacts:

David Kerr, Transportation / Franchise, 452-6139

PROPOSED COMCAST CABLE TV FRANCHISE
Attachment C

CITY OF BELLEVUE, WASHINGTON
RESOLUTION NO. _____

A RESOLUTION Granting a Non-Exclusive Cable Television Franchise to Comcast of Bellevue, Inc. to Construct, Operate and Maintain a Cable Communications System in the City of Bellevue, Washington, and Setting Forth Conditions Accompanying the Grant of Franchise.

WHEREAS, Comcast of Bellevue, Inc. (hereinafter the "Franchisee") has requested renewal of its cable television franchise; and

WHEREAS, the City of Bellevue (hereinafter the "City") has analyzed and considered the technical ability, financial condition, legal qualification, and general character of the Franchisee, and has determined that it is in the best interest of the City and its residents to grant a cable communications franchise to the Franchisee; and

WHEREAS, the Franchisee and the City have agreed to be bound by the conditions set forth herein; and

WHEREAS, the City determines to exercise its authority, consistent with state and federal law, to grant a non-exclusive franchise renewal to the Franchisee in accordance with the provisions of this Franchise;

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

THIS FRANCHISE is made and entered into this _____ day of _____ 2004, by and between Comcast of Bellevue, Inc. (hereinafter referred to, together with any lawful successor, transferee, or assignee, as the "Franchisee") and the City of Bellevue, Washington (the "City").

SECTION 1. DEFINITIONS

For the purposes of this Franchise and all Exhibits attached hereto the following terms, phrases, words and their derivations shall have the meanings given herein. When not inconsistent with the context, words used in the present tense include the future, words in the plural include the singular, and words in the singular include the plural. Words not defined shall be given their common and ordinary meaning. The word "shall" is always mandatory and not merely directory.

1.1 "Access" includes Educational Access, Governmental Access and Public Access, collectively, and means the availability for noncommercial use by various governmental and educational agencies, institutions, organizations, groups and individuals in the

PROPOSED COMCAST CABLE TV FRANCHISE

Attachment C

community, including the City and its designees, of particular channels on the Cable Communications System to receive and distribute video programming to Subscribers, as permitted under applicable law, including, but not limited to:

(A) "Educational Access" means Access where Schools are the primary users having editorial control over programming and services.

(B) "Governmental Access" means Access where governmental institutions or their designees are the primary users having editorial control over programming and services; and

(C) "Public Access" means Access where the public is the primary user.

1.2 "Access Channel" means any Channel or portion thereof, designated for Access purposes or otherwise made available to facilitate or transmit Access programming.

1.3 "Access Capital Contribution" means the capital contribution paid to the City by the Franchisee in accordance with Section 9.5.

1.4 "Affiliated Entity" or "Affiliate" when used in connection with the Franchisee means any Person who owns or controls, is owned or controlled by, or is under common ownership or control with the Franchisee.

1.5 "Bad Debt" means amounts lawfully owed by a Subscriber and accrued as revenues on the books of the Franchisee but not collected after reasonable efforts by the Franchisee.

1.6 "Basic Cable Service" means the lowest service Tier that includes the retransmission of local television broadcast signals and Access Channels, or as such service Tier may be further defined by federal law.

1.7 "Cable Act" means the Cable Communications Policy Act of 1984, as amended by the Cable Television Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996, and any amendments thereto.

1.8 "Cable Communications System" or "System" means the Franchisee's facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide Cable Service which includes video programming and which is provided to multiple subscribers within a community, but such term shall not include:

(A) A facility that serves only to retransmit the television signals of one or more television broadcast stations;

(B) A facility that serves subscribers without using any public right-of-way;

PROPOSED COMCAST CABLE TV FRANCHISE

Attachment C

(C) A facility of a common carrier which is subject, in whole or in part, to the provisions of Title II of the Communications Act of 1934 (47 U.S.C., 201 et seq.), except that such facility shall be considered a Cable Communication System (other than for purposes of Section 621(c) (47 U.S.C. 541(c)) to the extent such facility is used in the transmission of video programming directly to Subscribers, unless the extent of such use is solely to provide interactive on-demand services;

(D) An open video system that complies with Section 653 of the Cable Act; or

(E) Any facilities of any electric utility used solely for operating its electric utility systems.

1.9 "Cable Company" means any Person or group of Persons, including the Franchisee, who provides Cable Service over a Cable Communications System and directly or through one or more Affiliates owns a significant interest in such System or who otherwise controls or is responsible for, through any arrangement, any of the management and/or operation of the System.

1.10 "Cable Service" means the one-way transmission of video programming, or other programming service, to Subscribers and the Subscriber interaction, if any, which is required for the selection or use of such video programming or other programming service.

1.11 "Channel" means a portion of the electromagnetic frequency spectrum which is used in a cable system and which is capable of delivering a television channel, as television channel is defined by FCC regulations.

1.12 "City" means the City of Bellevue, Washington, a municipal corporation, of the State of Washington.

1.13 "Designated Access Provider" means the entity or entities designated by the City to manage or co-manage Educational or Governmental Access Channels and facilities. The City may be a Designated Access Provider.

1.14 "Dwelling Unit" means any building or portion thereof that has independent living facilities, including provisions for cooking, sanitation and sleeping, and that is designed for residential occupancy.

1.15 "Franchise" means the non-exclusive right and authority to construct, maintain, and operate a Cable Communications System through use of the public streets, dedications, public utility easements, or other public ways in the Franchise Area pursuant to a contractual agreement executed by the City and the Franchisee.

1.16 "Franchise Area" means the area within the jurisdictional boundaries of the City, including any areas annexed by the City during the term of this Franchise.

PROPOSED COMCAST CABLE TV FRANCHISE

Attachment C

1.17 "Franchise Fee" means consideration paid by the Franchisee for the privilege granted under this Franchise for the use of Streets and Public Ways and the privilege to construct and/or operate a Cable Communication System in the Franchise Area. The term Franchise Fee does not include:

(A) Any tax, fee or assessment of general applicability;

(B) Capital costs which are required by the Franchise to be incurred by the Franchisee for Public, Educational or Governmental Access facilities, including the support required in Section 9;

(C) Requirements or charges incidental to the awarding or enforcing of the Franchise, including but not limited to, payments for bonds, letters of credit, insurance, indemnification, penalties or liquidated damages; or

(D) Any fee imposed under Title 17, United States Code.

1.18 "Fully Allocated Costs" means the City's proportionate share of all direct and actual material and labor costs (excluding profit) of constructing, relocating or placing additional ducts, conduit or related structures by the Franchisee for the City alongside or together with ducts, conduit or structures by and for the Franchisee.

1.19 "Gross Revenues" means all revenues derived directly or indirectly by the Franchisee or an Affiliated Entity from the operation of the Cable Communications System used to provide Cable Services within the Franchise Area. Gross Revenues shall not include (i) Bad Debt, provided, however, that all or part of any such Bad Debt that is written off but subsequently collected shall be included in Gross Revenues in the period collected; or (ii) any taxes on services furnished by the Franchisee which are imposed directly on any Subscriber by the State, City or other governmental unit and which are collected by the Franchisee on behalf of said governmental unit; or (iii) any Access Capital Contributions as defined by this Franchise.

1.20 "Headend" means any facility used for signal reception and dissemination on the Cable Communications System, including cables, antennas, wires, satellite dishes, monitors, switchers, modulators, processors for Broadcast Signals or other signals, and all other related equipment and facilities.

1.21 "Incremental Costs" means the direct and actual material and labor cost (excluding profit) of constructing, relocating or placing additional ducts, conduit or related structures by the Franchisee for the City excluding the costs of design, trenching, boring, pipe bedding, backfilling, compacting, restoring the surface, installation and other charges, costs or expenses that the Franchisee would otherwise incur to construct, relocate or place ducts, conduit or related structures for the Franchisee.

1.22 "Institutional Network" or "I-Net" means the dedicated network and equipment

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designed for private non-commercial voice, video and data communications to, from and among City departments, schools and libraries within the Franchise Area.

1.23 "Interconnect" or "Interconnection" means the actual physical linking of the Cable System's Access Channels with the Access Channels of another geographically contiguous cable system, including technical, engineering, physical, financial and other necessary components to accomplish, complete and adequately maintain such linking, in a manner that permits the transmission and receiving of Access programming between the Franchisee's Cable Communications System and other cable systems.

1.24 "Leased Access Channel" means any Channel or portion of a Channel commercially available for programming in accordance with Section 612 of the Cable Act.

1.25 "Normal Business Hours" means those hours during which most similar businesses in the community are open to serve customers. In all cases, "normal business hours" must include some evening hours at least one night per week and/or some hours on Saturday.

1.26 "PEG Fee" means the amount, as set periodically throughout the term of the Franchise by the City, to be collected from the subscriber each month.

1.27 "Person" means any natural person, sole proprietorship, partnership, joint venture, association, or limited liability entity or corporation, or any other form of entity or organization.

1.28 "Right-of-Way" means land previously acquired or dedicated to the public, or hereafter acquired or dedicated to the public, and maintained under public authority or by others, including but not limited to public streets or roads, highways, avenues, lanes, alleys, bridges, sidewalks, easements and similar public property located within the Franchise Area.

1.29 "School" means any State accredited K-12 public or private educational institution in the City of Bellevue.

1.30 "Subscriber" or "Customer" means any Person(s) who lawfully elects to receive Cable Services provided by the Franchisee by means of the Cable Communications System.

1.31 "Tier" means a category of Cable Services provided by the Franchisee for which a separate rate is charged.

SECTION 2. GRANT OF FRANCHISE

2.1 Grant

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(A) The City hereby grants to the Franchisee a nonexclusive authorization to make reasonable and lawful use of the Right-of-Way to construct, operate, maintain, reconstruct, repair and upgrade a Cable Communications System for the purpose of providing Cable Services. Such grant is subject to the terms and conditions set forth in this Franchise, and applicable law. This Franchise shall constitute both a right and an obligation to provide Cable Services and to fulfill the obligations set forth in the provisions of this Franchise.

(B) The Franchisee is granted the right to operate its Cable Communications System using the City's Right-of-Way in compliance with all lawfully enacted applicable City codes, ordinances, standards, procedures and regulations, provided that in the event of a conflict between the provisions of the City codes, ordinances, standards, procedures and regulations and this Franchise, the express provisions of this Franchise shall govern. The express provisions of this Franchise constitute a valid and enforceable contract between the parties. Subject to federal and State preemption, the material terms and conditions contained in this Franchise may not be unilaterally altered by the City through subsequent amendment to any ordinance, rule, regulation, resolution, or other enactment of the City, except in the lawful exercise of the City's police power. The Franchisee reserves the right to challenge provisions of any ordinance, rule, regulation, resolution or other enactment of the City that conflicts with the rights granted by this Franchise, either now or in the future.

(C) This Franchise shall not be interpreted to prevent the City from imposing other conditions, to the extent permitted by law, including additional compensation for use of the Right-of-Way, should the Franchisee provide service(s) other than Cable Service.

(D) No rights shall pass to the Franchisee by implication. Without limiting the foregoing, by way of example and not limitation, this Franchise shall not include or be a substitute for:

(1) Any other permit or authorization required for the privilege of transacting and carrying on a business within the City that may be required by the ordinances and laws of the City;

(2) Any permit, agreement or authorization required by the City for Right-of-Way users in connection with operations on or in the Right-of-Way or other public property, including, by way of example and not limitation, street cut permits; or

(3) Any permits or agreements for occupying any other property of the City or private entities to which access is not specifically granted by this Franchise, including, without limitation, permits and agreements for placing devices on poles, in conduits or in or on other structures.

(E) This Franchise is intended to convey limited rights and interests only as to those Right-of-Ways in which the City has an actual interest. It is not a warranty of title

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or interest in any Right-of-Way; it does not provide the Franchisee with any interest in any particular location within the Right-of-Way. This Franchise shall not be deemed to authorize the Franchisee to provide service, or install cables, wires, lines, or any other equipment or facilities upon City property other than within the Right-of-Way, or upon private property without the owner's consent, or to utilize publicly or privately owned utility poles or conduits without a separate agreement with the owners thereof.

(F) No grant of use by this Franchise shall extend to the Franchisee any permission or use outside the purpose, dedication, or reservation granted to or held by the City. Nothing herein shall prohibit the City or the Franchisee from exercising its rights under Section 621 of the Communications Act of 1934, as amended, 47 U.S.C. 541.

(G) This Franchise is an express authorization to provide Cable Services. This Franchise is not a bar to the imposition of any lawful conditions on the Franchisee with respect to Franchisee's delivery of non-cable services, telecommunications services or information services, whether similar, different or the same as the conditions specified herein. This Franchise does not relieve the Franchisee of any obligation it may have to obtain from the City an authorization to provide non-cable services, telecommunications services or information services or relieve the Franchisee of its obligation to comply with any such authorization(s) that may be lawfully required. However, this Franchise shall not be read as a concession by the Franchisee that it needs authorization to provide non-cable services, telecommunications services or information services.

2.2 Duration

The term of this Franchise and all rights, privileges, obligations and restrictions pertaining thereto shall be five (5) years from the effective date of this Franchise.

2.3 Effective Date

(A) This Franchise and the rights, privileges and authority granted hereunder shall take effect and be in force from and after the effective date of this Franchise. The effective date of this Franchise shall be July 29, 2004.

(B) Within forty-five (45) days after the effective date of the Resolution granting this Franchise, the Franchisee shall signify its acceptance of this Franchise by executing a written acceptance of this Franchise. This Franchise is voidable unless accepted in writing by the Franchisee within this timeframe.

(C) The grant of this Franchise shall have no effect on the Franchisee's duty under the prior franchise, in effect prior to the effective date of this Franchise, to indemnify or insure the City against acts and omissions occurring during the period that the prior franchise was in effect, nor shall it have any affect upon liability to pay all Franchise Fees which were due and owed under a prior franchise.

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2.4 Franchise Nonexclusive

This Franchise shall be nonexclusive, and subject to all prior rights, interests, easements or licenses granted by the City or its predecessors to any Person to use any property, Right-of-Way, easement, right, interest or license for any purpose whatsoever, including the right of the City to use same for any purpose it deems fit, including the same or similar uses allowed the Franchisee hereunder. The City may at any time grant authorization to use the Right-of-Way for any purpose not incompatible with the Franchisee's authority under this Franchise and for such additional franchises for other Cable Communication Systems as the City deems appropriate.

2.5 Grant of Other Franchises

In the event the City enters into a cable franchise with any other Person or entity other than the Franchisee to use the City's streets or Right-of-Way for the purpose of constructing or operating a cable system to provide Cable Service to all or any part of the Franchise Area in which the Franchisee is providing Cable Service under the terms and conditions of this Franchise then the parties agree that the terms and conditions of the cable franchise, taken as a whole, should be substantially similar in order that one Cable Company not be granted an unfair competitive advantage over another. However, nothing in this provision shall be constructed in such a way as to limit the City's authority to enter into other cable franchises that the City, in its sole discretion, determines meet the cable related needs and interests of the community, considering both the added risk of entry into the market and the benefits of incumbency. The parties recognize and acknowledge that other cable franchises granted by the City might contain terms and conditions that are different than the terms and conditions the Franchisee has negotiated and accepted in this Franchise. Nothing in this provision shall be construed so as to require certain terms and conditions in other cable franchises granted by the City and/or require that the City modify or change the terms and conditions of this Franchise.

2.6 Familiarity with Franchise

The Franchisee acknowledges and warrants by acceptance of the rights and privileges granted herein, that it has carefully read and fully comprehends the terms and conditions of this Franchise and is willing to and does accept all reasonable risks of the meaning of the provisions, terms and conditions herein. The Franchisee further acknowledges and states that it has fully studied and considered the requirements and provisions of this Franchise, and finds that the same are commercially practicable at this time and consistent with all local, State and federal laws and regulations currently in effect, including the Cable Act.

2.7 Effect of Acceptance

By accepting the Franchise, the Franchisee: acknowledges and accepts the City's legal right to issue and enforce the Franchise; agrees that it will not oppose the

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City's intervening, to the extent it is legally entitled to do so, in any legal or regulatory proceeding affecting the Cable Communications System; accepts and agrees to comply with each and every provision of this Franchise subject to applicable law; and agrees that the Franchise was granted pursuant to processes and procedures consistent with applicable law.

SECTION 3. FRANCHISE FEE AND FINANCIAL CONTROLS

3.1 Franchise Fee

As compensation for the use of the City's Right-of-Way, the Franchisee shall pay as a Franchise Fee to the City, throughout the duration of this Franchise, an amount equal to five percent (5%) of Franchisee's Gross Revenues. Accrual of such Franchise Fee shall commence as of the effective date of this Franchise.

3.2 Maximum Franchise Fee

The parties acknowledge that, at present, applicable federal law limits the City to collection of a Franchise Fee of five percent (5%) of Gross Revenues in any twelve (12) month period. In the event that at any time during the term of this Franchise, the City is authorized to collect an amount in excess of five percent (5%) of Gross Revenues in any twelve (12) month period, it may do so with sixty (60) days written notice to the Franchisee, provided that all other franchised Cable Companies in the Franchise Area over which the City has jurisdiction are treated in an equivalent manner.

3.3 Payments

The Franchisee's Franchise Fee payments to the City shall be computed quarterly for the preceding calendar quarter ending March 31, June 30, September 30, and December 31. Each quarterly payment shall be due and payable no later than forty-five (45) days after said dates. Late payments shall be subject to applicable interest and penalties.

3.4 Acceptance of Payment

No acceptance of any payment shall be construed as an accord by the City that the amount paid is, in fact, the correct amount, nor shall any acceptance of payments be construed as a release of any claim the City may have for further or additional sums payable or for the performance of any other obligation of the Franchisee. The period of limitation for recovery of Franchise Fees payable hereunder shall be six (6) years from the date on which payment by the Franchisee was due.

3.5 Quarterly Franchise Fee Reports

Each payment shall be accompanied by a written report to the City on a form approved by the City, verified by an officer of the Franchisee, containing an accurate

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statement in summarized form, as well as in detail, of the Franchisee's Gross Revenues and the computation of the payment amount. Such reports shall detail all Gross Revenues of the Cable Communications System.

3.6 Audits

On an annual basis, upon thirty (30) days' prior written notice, the City shall have the right to conduct an independent audit of the Franchisee's records necessary to enforce compliance with this Franchise and to calculate any amounts determined to be payable under this Franchise. Provided the Franchisee cooperates in making all relevant records available upon request, the City will in good faith attempt to complete each audit within six (6) months, and the audit period shall not be any greater than the previous six (6) years. Any additional amounts due to the City as a result of the audit shall be paid within sixty (60) days following written notice to the Franchisee by the City, which notice shall include a copy of the audit findings, and the Franchisee's agreement that the audit findings are correct. If the audit shows that there has been a material underpayment of Franchise Fees by three percent (3%) or more in a calendar year, then the Franchisee shall pay the cost of the audit, such cost not to exceed five thousand dollars (\$5,000) for each year of the audit period.

3.7 Financial Records

The Franchisee agrees to meet with a representative of the City upon request to review the Franchisee's methodology of record-keeping, financial reporting, the computing of Franchise Fee obligations and other procedures, the understanding of which the City deems necessary for reviewing reports and records that are relevant to the enforcement of this Franchise.

3.8 Interest and Penalties on Late Payments

In the event that any Franchise Fee payment is not received by the City by the date due, interest shall be charged from such date at the rate of twelve percent (12%) per annum, or the statutory rate for judgments, whichever is less, in addition to any applicable penalties.

3.9 Additional Commitments Not Franchise Fees

No term or condition in this Franchise shall in any way modify or affect the Franchisee's obligation to pay Franchise Fees. Although the total sum of Franchise Fee payments and additional commitments set forth elsewhere in this Franchise may total more than five percent (5%) of the Franchisee's Gross Revenues in any twelve (12) month period, the Franchisee agrees that the additional commitments including Access Capital Contribution, Access Channels and the I-Net are excluded from the definition of Franchise Fees herein and are not Franchise Fees. Such additional commitments will not be offset or credited against any Franchise Fee payments due to the City, nor do they represent an increase in Franchise Fees to be passed through to Subscribers

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pursuant to any federal law.

3.10 Payment on Termination

If this Franchise terminates for any reason, the Franchisee shall file with the City within one hundred twenty (120) calendar days of the date of the termination, a financial statement, certified by an independent certified public accountant, showing the Gross Revenues received by the Franchisee since the end of the previous fiscal year. Within forty-five (45) days of the filing of the certified statement with the City, the Franchisee shall pay any unpaid amounts as indicated. If the Franchisee fails to satisfy its remaining financial obligations as required in this Franchise, the City may do so by utilizing the funds available in any security provided by the Franchisee.

SECTION 4. ADMINISTRATION AND REGULATION

The City shall be vested with the power and right to administer and enforce the requirements of this Franchise and the regulations and requirements of applicable law, including the Cable Act, or to delegate that power and right of administration, or any part thereof, to the extent permitted under federal, State and local law, to any agent in the sole discretion of the City.

4.1 Rates and Charges

The Franchisee shall comply with applicable laws regarding the setting of all rates and charges for Cable Services and cross subsidization. All Franchisee rates and charges for Cable Services shall be subject to regulation by the City to the full extent authorized by applicable federal, State and local laws.

4.2 No Rate Discrimination

Franchisee's rates and charges shall be non-discriminatory so as to not disadvantage any Subscriber or class of Subscribers, including those who only subscribe to Cable Services offered by the Franchisee in favor of Subscribers who subscribe to Cable Services and one or more other types of service(s) the Franchisee might offer.

Nothing herein shall be construed to prohibit:

- (A) The temporary reduction or waiving of rates or charges in conjunction with limited promotional campaigns;
- (B) The offering of reasonable discounts to senior citizens or economically disadvantaged citizens; or
- (C) The offering of bulk discounts for Multiple Dwelling Units.

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The Franchisee shall as a voluntary initiative throughout the term of the Franchise, offer a discount of thirty percent (30%) from its published rate card to Subscribers for Basic Cable Services (provided they are not already receiving a package discount) who are aged 65 years or older or disabled, provided that such individual(s) are the legal owner or lessee/tenant of their Dwelling Unit and that their combined disposable income from all sources does not exceed the Housing and Urban Development Standards for the Seattle/Everett Area for the current and preceding calendar year.

The Franchisee shall permit Subscribers to make any in-residence connections the Subscriber chooses without additional charge and without penalizing the Subscriber therefore. If any in-home connection requires service from the Franchisee due to signal quality, signal leakage or other factors caused by improper installation of such in-home wiring or faulty materials of such in-home wiring, the Subscriber may be charged appropriate service charges by the Franchisee.

4.3 Filing of Rates and Charges

(A) Throughout the term of this Franchise, the Franchisee shall maintain on file with the City a complete schedule of applicable rates and charges for Cable Services provided under this Franchise. Nothing in this subsection shall be construed to require the Franchisee to file rates and charges under temporary reductions or waivers of rates and charges in conjunction with promotional campaigns. As used in this subsection, no rate or charge shall be considered temporary if Subscribers have the ability over a period greater than twelve (12) consecutive months (or such other period as may be approved by the City) to purchase Cable Services at such rate or charge.

(B) On an annual basis, the Franchisee shall, upon request, provide a complete schedule of current rates and charges for any and all Leased Access Channels, or portions of such Channels, provided by the Franchisee. The schedule shall include a description of the price, terms and conditions established by the Franchisee for Leased Access Channels.

4.4 Late Fees

If the Franchisee assesses any kind of fee for late payment, such fee shall comply with applicable law.

4.5 Performance Evaluation

(A) Special evaluation sessions may be held at any time upon request by the City during the term of this Franchise.

(B) All evaluation sessions shall be open to the public and announced at least one (1) week in advance in a newspaper of general circulation in the Franchise Area.

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(C) Topics which may be discussed at any evaluation session may include, but are not limited to Cable Service rates, Franchise Fees, free or discounted Cable Services, application of new technologies, System performance, Cable Services provided, customer complaints, privacy, amendments to this Franchise, judicial and FCC rulings, line extension policies, and the City's or the Franchisee's rules, provided that nothing in this subsection shall be construed as requiring the renegotiation of this Franchise or any term or provision therein.

(D) During evaluations under this Section, the Franchisee shall fully cooperate with the City and shall provide such information and documents as the City may require under Section 7 of the Franchise to perform the evaluation.

SECTION 5. FINANCIAL AND INSURANCE REQUIREMENTS

5.1 Indemnification

(A) General Indemnification. The Franchisee shall indemnify, defend and hold the City, its officers, officials, boards, commissions, authorized agents and employees, harmless from any action or claim for injury, damage, loss, liability, cost or expense, including court and appeal costs and attorneys' fees and expenses, arising from any casualty or accident to Person or property, including, without limitation, copyright infringement, defamation, and all other damages in any way arising out of, or by reason of, any construction, excavation, operation, maintenance, reconstruction, or any other act done under this Franchise, by or for the Franchisee, its authorized agents, or its employees, or by reason of any neglect or omission of the Franchisee, its authorized agents or its employees. The Franchisee shall consult and cooperate with the City while conducting its defense of the City.

(B) Indemnification for Relocation. Subject to applicable law, the Franchisee shall indemnify the City against any damages, claims, additional costs or expenses assessed against or payable by the City arising solely out of, or resulting solely from the Franchisee's failure to remove, adjust or relocate any of its facilities in the Streets in a timely manner in accordance with any relocation required by the City for a City project.

(C) Additional Circumstances. The Franchisee shall also indemnify, defend and hold the City harmless against any claim for injury, damage, loss, liability, cost or expense, including court and appeal costs and attorneys' fees or expenses in any way arising out of any failure by the Franchisee to secure consents from owners or authorized distributors or licensees/licensors of programs to be delivered by the System, provided however, the City shall indemnify, defend and hold the Franchisee harmless against any claim for injury, damage, loss, liability, cost or expense, including court and appeal costs and attorneys' fees or expenses arising out of the use of the Government Access Channel programmed and controlled by the City and/or its Designated Access Provider(s) or use by the City of the Emergency Alert System.

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(D) Procedures and Defense. If a claim or action arises, the City or any other indemnified party shall tender the defense of the claim or action to the Franchisee, which defense shall be at the Franchisee's expense. The City may participate in the defense of a claim and, in any event, the Franchisee may not agree to any settlement of claims financially affecting the City without the City's written approval, which shall not be unreasonably withheld.

(E) Duty of Defense. The fact that the Franchisee carries out any activities under this Franchise through independent contractors shall not constitute an avoidance of or defense to the Franchisee's duty of defense and indemnification under this Section.

(F) Duty to Give Notice. The City shall give the Franchisee timely written notice of any claim or of the commencement of any action, suit or other proceeding covered by this Section. In the event any such claim arises, the City or any other indemnified party shall tender the defense thereof to the Franchisee and the Franchisee shall have the obligation and duty to defend any claims arising there under, and the City shall cooperate fully therein.

(G) Separate Representation. If separate representation to fully protect the interests of both parties is necessary, such as a conflict of interest between the City and the counsel selected by the Franchisee to represent the City, the Franchisee shall pay attorneys' fees and expenses incurred by the City in defending itself with regard to any action, suit or proceeding indemnified by the Franchisee. The City's fees and expenses shall include all out-of-pocket expenses, such as consultants' fees and shall also include the reasonable value of any services rendered by the City Attorney or his/her assistants or any employees of the City or its agents but shall not include outside attorneys' fees for services that are unnecessarily duplicative of services provided the City by the Franchisee.

5.2 Insurance Requirements

(A) General Requirement. The Franchisee must have adequate insurance during the entire term of this Franchise to protect the City against claims for injuries to Persons or damages to property which in any way relate to, arise from or are connected with this Franchise, or involve the Franchisee, its agents, representatives, contractors, subcontractors and their employees.

(B) Initial Insurance Limits. The Franchisee must maintain during the Franchise term and for a period of twelve (12) months after expiration, termination or non-renewal thereof, insurance in effect in accordance with the minimum insurance limits herein set forth by the City from time to time. The Franchisee shall obtain policies or provide evidence of self insurance for the following initial minimum insurance limits:

- (1) Commercial General Liability: Two million dollars (\$2,000,000) per

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occurrence for bodily injury, personal injury or death of a person and/or property damage;

(2) Automobile Liability: Two million dollars (\$2,000,000) per person property damage; and

(3) Employer's Liability: Two million dollars (\$2,000,000).

(4) Workers Compensation Insurance in accordance with state law requirements.

(5) The amounts listed above are the minimum deemed necessary by the City to protect the City's interests in this matter. The City has made no recommendation to the Franchisee as to the insurance necessary to protect the Franchisee's interests and any decision by the Franchisee to carry or not carry insurance amounts in excess of the above is solely that of the Franchisee. The Franchisee shall be responsible for judgments, settlements, damages, costs, attorneys' fees and expenses that exceed the limits of the Franchisee's insurance coverage.

(C) Endorsements.

(1) All policies shall contain, or shall be endorsed so that:

(a) The City shall be designated as an additional insured.

(b) The Franchisee's insurance coverage shall be primary insurance with respect to the City, its officers, officials, boards, commissions, employees and duly authorized agents. Any insurance or self-insurance maintained by the City, its officers, officials, boards, commissions, employees and agents shall be in excess of the Franchisee's insurance and shall not contribute to it, provided the occurrence arises out of the Franchisee's acts or negligence; and

(c) The Franchisee's insurance shall apply separately to each insured against whom a claim is made or lawsuit is brought, except with respect to the limits of the insurer's liability.

(2) The policy shall not be cancelled or materially altered, so as to be out of compliance with the requirements of this Section without thirty (30) days written notice first being given to the City. If the insurance is cancelled or materially altered so as to be out of compliance with the requirements of this Section within the term of this Franchise, the Franchisee shall provide a replacement policy. The Franchisee agrees to maintain continuous uninterrupted insurance coverage, in the amounts required, for the duration of this Franchise.

(D) Acceptability of Insurers. The insurance obtained by the Franchisee shall be placed with insurers with a Best's rating of no less than "A".

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(E) Verification of Coverage. The Franchisee shall furnish the City with certificates of insurance and an endorsement reflecting additional insured status. The certificates for each insurance policy are to be signed by a Person authorized by that insurer to bind coverage on its behalf. The certificates for each insurance policy are to be on standard forms or such forms as are consistent with standard industry practices, and are to be received and approved by the City at the time of acceptance of this Franchise by the Franchisee with existing insurance coverage to be maintained by the Franchisee until that date. The Franchisee hereby warrants that its insurance policies satisfy the requirements of this Franchise.

5.3 Security

(A) The Franchisee shall provide a single Franchise performance bond to ensure Franchisee's faithful performance of any and all of the terms and conditions of this Franchise. The Franchise performance bond shall be in the amount of five hundred thousand dollars (\$500,000).

(B) The City reserves the right, consistent with Bellevue City Code, Chapter 14.30, as from time to time amended, to require, and the Franchisee shall provide, additional construction and/or Right-of-Way bonds.

(C) The bond(s) shall be in a form reasonably acceptable to the City. The Franchisee shall pay all premiums or costs associated with maintaining the bond(s), and shall keep the same in full force and effect at all times during the term of this Franchise.

(D) The parties agree that the Franchisee's maintenance of the bond(s) shall not be construed to excuse unfaithful performance by the Franchisee or limit the liability of the Franchisee to the amount of the bond(s) or otherwise limit the City's recourse to any other remedy available at law or equity.

SECTION 6. CUSTOMER SERVICE

6.1 Customer Service Standards

The Franchisee shall comply with Customer Service Standards as provided in the City Code as it exists on the date of adoption of this Franchise, and as may be lawfully amended from time to time by the City thereafter. It is acknowledged and agreed that the City may, from time to time, modify or add to the Customer Service Standards as permitted by applicable law. The Franchisee reserves the right to challenge any Customer Service Standards that it believes are inconsistent with federal law or the contractual rights granted in this Franchise.

6.2 Subscriber Privacy

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The Franchisee shall comply with privacy rights of Subscribers in accordance with applicable federal, State and local laws.

6.3 Customer Service Location(s)

Upon adoption of this Franchise, the Franchisee shall have in place a full service customer service center located at 14870 N.E. 95th St. in Redmond, WA. Throughout the Franchise term, the Franchisee must maintain this customer service location or another full-service customer service location conveniently located on the Eastside, or alternatively, two (2) co-location customer service locations conveniently located on the Eastside (with one (1) located within the City limits of Bellevue) that will be open during Normal Business Hours to provide Subscribers the opportunity to return Subscriber equipment and to make bill payments. If however, a customer service location is required to relocate, the Franchisee shall be allowed a reasonable period of time to establish a new location.

6.4 Customer Service Agreement and Manual

(A) The Franchisee shall provide to Subscribers an accurate, comprehensive service agreement and customer installation packet for use in establishing Subscriber service. This material shall, at a minimum, contain the following:

- (1) The Franchisee's procedure for investigation and resolution of Subscriber service complaints.
- (2) Services to be provided and rates for such services.
- (3) Billing procedures.
- (4) Service termination procedure.
- (5) A description of the manner that will be used to provide notice of changes in rates, service or service terms and conditions.
- (6) A complete statement of the Subscriber's right to privacy.
- (7) Equipment policy.
- (8) The name, address and phone number of the customer care department that is responsible for handling cable questions and complaints for the Franchisee. This information shall be prominently displayed in the installation packet.
- (9) Upon request by the City, the Franchisee shall use its best efforts to include information about Access channel programming in the installation packet provided to Subscribers. The City shall supply such materials, for insertion in the packet, in a format consistent with the Franchisee's requirements.

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(B) A copy of the installation packet shall be provided to each Subscriber at the time of initial installation and any reconnection or Cable Service upgrade requiring a home visit by the Franchisee (excluding reconnections to the same Subscriber within twelve (12) months), and at any time the packet is requested by the Subscriber. Within thirty (30) days following material policy changes, information regarding the changes will be provided to Subscribers.

SECTION 7. REPORTS AND RECORDS

7.1 Open Records

The City shall have access to, and the right to inspect, any books and records of the Franchisee and/or its Affiliates, if necessary, for the enforcement of the terms of this Franchise. The Franchisee shall not deny the City access to any of the Franchisee's records on the basis that the Franchisee's records are under the control of any parent corporation, Affiliated Entity or a third party. The City may, in writing, request copies of any such records or books, and the Franchisee shall provide such copies within thirty (30) days of the receipt of such request. One copy of all reports and records required under this or any other section shall be furnished to the City at the sole expense of the Franchisee. If the requested books and records are too voluminous, or for security reasons cannot be copied or removed, then the Franchisee may request, in writing within ten (10) days of receipt of such request, that the City inspect them at the Franchisee's local offices. If any books or records of the Franchisee are not kept in a local office and not made available in copies to the City upon written request as set forth above, and if the City determines that an examination of such records is necessary for the enforcement of this Franchise, then all reasonable travel expenses incurred in making such examination shall be paid by the Franchisee.

7.2 Confidentiality

The City agrees to keep confidential any proprietary or confidential books or records to the extent permitted by law. The Franchisee shall be responsible for clearly and conspicuously identifying the work confidential or proprietary, and shall provide a brief written explanation as to why such information is confidential and how it may be treated as such under state or federal law. If the City receives a demand from any Person(s) for disclosure of any information designated by the Franchisee as confidential, the City shall, so far as consistent with applicable law, advise the Franchisee and provide the Franchisee with a copy of any written request by the party demanding access to such information within a reasonable time.

7.3 Copies of Federal and State Reports

Upon written request, the Franchisee shall submit to the City copies of any pleadings, applications, notifications, communications and documents of any kind,

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submitted by the Franchisee or its Affiliates to any federal, State or local courts, regulatory agencies and other government bodies if such documents directly relate to the operations of the Franchisee's Cable Communications System within the Franchise Area. The Franchisee shall submit such documents to the City no later than thirty (30) days after receipt of the City's request. The Franchisee shall not claim confidential, privileged or proprietary rights to such documents unless under federal, State, or local law such documents have been determined to be confidential by a court of competent jurisdiction, or a federal or State agency. With respect to all other reports, documents and notifications provided to any federal, State or local regulatory agency as a routine matter in the due course of operating the Franchisee's Cable Communications System within the Franchise Area, the Franchisee shall make such documents available to the City upon the City's written request.

7.4 Complaint File and Reports

The Franchisee shall keep an accurate and comprehensive compilation of any and all customer complaints received and the Franchisee's actions in response to those complaints, in a manner consistent with the privacy rights of Subscribers. The Franchisee shall provide an executive summary report to the City on an annual basis (unless requested semi-annually by the City) within one-hundred twenty (120) days of the end of each year (or six month period as the case may be), which shall include the following information:

- (A) Nature and type of customer complaints;
- (B) A summary of unplanned service interruptions, including the frequency, location and customer impact information if such information is available;
- (C) Any significant construction activities that affected the quality or otherwise enhanced the service of the Cable Communications System;
- (D) Average response time for service calls;
- (E) Phone activity report;
- (F) New areas constructed and available for Cable Service, including Multiple Dwelling Units;
- (G) Video programming changes (additions/deletions); and
- (H) Such other information as reasonably requested by the City.

7.5 False Statements

Any intentional false or misleading statement or representation in any report required by this Franchise shall be a material breach of this Franchise and may subject

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the Franchisee to all remedies, legal or equitable, which are available to the City under this Franchise or otherwise.

SECTION 8. PROGRAMMING AND CHANNEL CAPACITY

8.1 Obscenity

The Franchisee shall not transmit, or permit to be transmitted, over any Channel subject to its editorial control any programming that is obscene under applicable federal, State or local law.

8.2 Parental Control Device

Upon request by any Subscriber, the Franchisee shall make available a parental control or lockout device, traps or filters to enable a Subscriber to control access to both the audio and video portions of any or all Channels. The Franchisee shall inform its Subscribers of the availability of the lockout device at the time of their initial subscription and periodically thereafter.

8.3 Complementary Cable Service

Upon request of the City, the Franchisee shall provide without charge, a standard installation and one outlet of Basic Service to each fire station, police station, School, public library, and other municipal buildings (excluding those buildings or portions thereof that house or occupy prison/jail populations) provided that the buildings are either owned and occupied or leased and occupied by the City, and provided further that the buildings are either already served or are within 125 aerial feet (a Standard Installation) of its Cable Communications System. The Franchisee shall not be required to provide an outlet to such buildings where a non-Standard Installation is required, unless the City or building owner/occupant agrees to pay the Incremental Cost (time and materials) of any necessary Cable Communications System extension and/or non-Standard Installation. If additional outlets of Cable Service are provided to such buildings beyond those required herein, the building owner/occupant shall pay the usual installation and service fees associated therewith. The Franchisee shall be permitted to recover the Franchisee's actual cost for any additional converters required.

During renovation of the new City Hall, Franchisee agrees to install one cable drop into the telecommunications room of the new City Hall, at its sole cost and expense. The cable will be terminated at a designated internal location within City Hall, at a standard termination panel provided by Franchisee. The City will provide wall mount backboard for the termination panel. The termination panel will be the point of demarcation. Franchisee will cooperate and consult with the City or its contractor on the design and installation of any internal cable wiring to ensure that the internal cable wiring is adequate and acceptable for distributing Franchisee's cable signal throughout the building and will not interfere with the Franchisee's System. The City shall be responsible for maintenance of all internal cable wiring from the City side of

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demarcation point.

The Cable Service described herein is a voluntary initiative of Franchisee that shall be provided throughout the term of the Franchise.

The Cable Service provided in accordance with this subsection shall not be distributed beyond the originally installed outlet without authorization from the Franchisee.

The Cable Service provided shall not be used for commercial purposes and the City shall take reasonable steps to limit display in public areas to the City Access Channels. The City shall take reasonable precautions to prevent any use of the Franchisee's Cable Communication System in any manner that results in the inappropriate use thereof or any loss or damage to the Cable Communication System. To the extent not inconsistent with other provisions in this Franchise, the City shall hold the Franchisee harmless from any and all liability or claims arising out of the use of Cable Service at the City facilities, educational facilities and other public buildings required by this Section.

8.4 Ascertainment of Programming and Customer Satisfaction

In lieu of any other customer survey requirements in the Bellevue City Code, the Franchisee shall, upon request of the City, conduct a statistically valid telephone survey of Subscribers. The survey shall not be requested more frequently than once every three (3) years and shall be at the sole expense of the Franchisee. The survey may include such items as programming, response to community needs, satisfaction and dissatisfaction with Cable Service offered by the Franchisee and customer service. The Franchisee shall consult and cooperate with the City in developing survey questions. The Franchisee shall provide the results of such survey to the City within one (1) month after the survey results become available. Nothing herein shall be construed to limit the right of the City to conduct its own surveys at its own expense.

SECTION 9. GOVERNMENTAL AND EDUCATIONAL ACCESS AND I-NET

9.1 Access Channels

In order to meet the demonstrated community need for Access Channels and, programming, the Franchisee shall make available the following Access Channels throughout the Franchise Area:

(A) Two (2) Access Channels, each of which shall be made available as part of the Basic Cable Service Tier, as follows:

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1) One Government Access Channel, as currently provided and programmed as BTV, for use by the City for Government Access programming, as the City sees fit;

2) One Educational Access Channel, as currently provided and programmed by Bellevue Community College, as part of the community college programming consortium, except that the City reserves the right to designate another Educational Access programmer, as the City may see fit.

(B) Franchisee agrees, as a voluntary initiative, to continue to make available to Subscribers in the City a Public Access channel so long as it is carried on a regional basis, recognizing however, that neither the Franchisee nor the City programs or exercises editorial control over any Public Access Channel(s) carried by the Franchisee.

(C) If there is a demonstrated community need and Subscriber demand for additional Access Channel programming as reasonably determined by the City, then two (2) additional Access Channels shall be made available to the City within one-hundred eighty (180) days of receipt by the Franchisee of a written request from the City.

(D) In the event the Franchisee makes any change in the System and related equipment and facilities or in signal delivery technology, which change directly or indirectly affects the signal quality or transmission of any Access Channel programming or services, the Franchisee shall, at its own expense, take necessary technical steps, provide necessary technical assistance, acquire new equipment, provide training, and in addition, provide the necessary assistance and foregoing equipment so that the Access facilities and equipment may be used as intended to ensure that delivery of Access signals is not diminished or adversely affected, including, among other things, so that live and taped programming can be cablecast with as good or better signal quality than existed prior to such change. For example, these provisions shall apply if Basic Service on the Cable Communication System is converted from an analog to a digital format, such that the Access Channels must also be converted to digital in order to be received by Subscribers.

9.2 Access Channel Identification/Location/Relocation/Bill Insertions

The Franchisee will use reasonable efforts to minimize the movement of Access Channel assignments. The Franchisee shall provide to the City a minimum of sixty (60) days notice prior to any relocation of any Access Channels, unless the change is required by federal law, in which case the Franchisee shall give the City the maximum notice possible.

The Franchisee, upon request, shall provide the City the opportunity to include one (1) Access Channel bill insertion and one (1) Access Channel bill message per year. The City shall be responsible for the costs of printing its bill insertion, the cost of inserting the information into the Franchisee's bills and for any incremental postage

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costs. Bill insertions must conform to the Franchisee's reasonable mailing requirements. The Franchisee shall be provided an opportunity to review and approve all Access bill insertions.

9.3 Access Interconnections

(A) The Access Channels required by this Franchise shall be interconnected with the Access Channels of geographically adjacent cable communication systems that are owned and operated by the Franchisee or an Affiliate of the Franchisee so long as the City has authorization for use of Access programming originated in geographically adjacent communities. The Franchisee shall take all necessary technical steps to ensure that downstream transmissions provide an adequate signal quality in accordance with FCC regulations.

(B) At such time as the City has authorization for use of Access programming originated in geographically adjacent communities, the Franchisee shall, in accordance with this Franchise, Interconnect the Access Channels required by Section 9 herein with any other geographically adjacent cable communication systems not owned or operated by the Franchisee or an Affiliate of the Franchisee upon request of the City. Interconnections shall be located either at the jurisdictional boundaries or at another mutually agreed upon location. The City shall not request interconnection in this case except under circumstances where it can be accomplished without undue burden or excessive cost to the Subscribers. The Franchisee shall not be required to interconnect with the other cable communication system unless the cable operator of that system is willing to do so and pay for its own costs of constructing and maintaining the interconnect up to the demarcation point.

9.4 Government and Educational Institutional Network.

(A) Prior to the effective date of this Franchise, the Franchisee constructed Institutional Network (I-Net) connections to designated public buildings pursuant to an Institutional Network Agreement (City Clerk Filed No. 28346, May 24, 2000) and the Franchisee's obligations to provide those I-Net connections will continue, as per the Institutional Network Agreement, throughout the term of this Franchise, and subject to the indefeasible right of use agreement (attached as Exhibit A and hereby incorporated by reference as if fully set forth) setting forth the terms and conditions for Franchisee's relocation of the I-Net fiber(s) from the current City Hall to the new City Hall location, at Franchisee's cost and expense, using conduit and pathway owned and provided by the City.

(B) The Franchisee recognizes that during the term of this Franchise, the City may require redundant I-Net connections between the existing I-Net locations and/or additional I-Net connections to other City buildings and/or additional I-Net connections to public schools located within the Franchise Area. The Franchisee therefore agrees that, within 120 days of the City's written request, the Franchisee will prepare and submit to the City its reasonable time and materials estimate of the cost for the

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Franchisee to design and construct the redundant and/or additional I-Net connections and/or incorporate those redundant or additional I-Net connections into the existing I-Net and a reasonable timeline for completion of the I-Net construction.

(C) If the City rejects Franchisee's estimate of costs, then the City shall only be responsible for reimbursing the Franchisee of the actual and reasonable cost incurred by the Franchisee to prepare the City's I-Net cost estimate.

(D) If the City accepts Franchisee's estimate of costs, including reasonable design costs and the cost of construction, and directs the Franchisee in writing to proceed with I-Net infrastructure construction, the I-Net infrastructure will be constructed, acceptance tested, terminated and maintained by the Franchisee in accordance with terms and conditions of a new Institutional Network Agreement or an amendment to the existing Institutional Network Agreement for the new I-Net connection(s) as negotiated by the parties.

(E) So long as it is technically feasible and does not interfere with normal operations of the Cable System, the City may use existing City conduit and/or fiber, or fiber and/or conduit provided by a third party, for the purpose of expanding the I-Net to achieve the most economical coverage. Upon the request of the City, the Franchisee shall Interconnect the existing I-Net infrastructure with the City's conduit and/or fiber, or any fiber and/or conduit provided by a third party. The point of demarcation for maintenance will be specified at the time of interconnection.

9.5 Support for Access / I-Net Capital Costs

In order to help the City meet the demonstrated need for Access programming, production equipment, facilities and the Institutional Network, the Franchisee shall pay to the City an Access Capital Contribution as follows:

(A) During the term of this Franchise, the Franchisee shall provide, upon the written request of the City, a one time Access Capital Contribution in an amount not to exceed Four Hundred Fifty Thousand Dollars (\$450,000) to be used by the City to purchase, replace and maintain the Access programming and production equipment and facilities. The City shall have discretion to allocate the Access Capital Contribution in accordance with applicable law. Franchisee may recover this amount as an "external cost" as such term is used in 47 C.F.R. Section 76.922(f) on the date of this Franchise over the remainder of the five (5) year term of the Franchise and/or any extension of the term of this Franchise necessary to allow recovery through a PEG Fee set by the City per Section 9.5 (B) below.

(B) An amount, as set periodically throughout the term of the Franchise by the City, not to exceed twenty-five cents (\$0.25) per subscriber per month when combined with and including the recovery of the one time Access Capital Contribution as above. The Franchisee may recover this amount to the extent and in a manner provided for in federal regulations. Such payments are to be made quarterly on the

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same schedule as Franchise Fees. With each quarterly payment, Franchisee will prepare and submit a report, in a form acceptable to the City that shows how such payments were calculated. The Franchisee shall not be responsible for paying capital contributions on gratis or Bad Debt accounts.

The City and the Franchisee agree that the recovery of any Access Capital Contribution shall be referred to on Subscribers' bills as a "PEG Fee", or language substantially similar thereto.

9.6 Return Lines

(A) The Franchisee shall continue to provide and maintain a fiber-optic return line from the current City Hall to the System Headend for so long as such return line is necessary. It is the Franchisee's responsibility to ensure that the signal carried on the existing return line from the existing point of demarcation back to the system headend meets FCC technical standards. Similarly, it is the City's responsibility to ensure the technical quality of the signal from the BTV origination equipment to the designated demarcation point.

(B) Upon the anticipated relocation of Bellevue City Hall from its current location to the new City Hall location, the Franchisee shall construct and maintain a fiber-optic return line from that location to the City/BCC headend at Bellevue Community College (or to such other City headend as the City and the Franchisee may agree) and to the System Headend from the City/BCC headend.

(C) The fiber-optic return line from the new City Hall to the City/BCC Headend and then to the System Headend will be terminated at a designated internal location within City Hall at a standard termination panel provided by Franchisee. The City will provide wall mount backboard and a power source for the termination panel.

(D) The termination panel will be the fiber demarcation point. The Franchisee shall own and maintain the fiber optic return line from the termination panel at City Hall to BCC and from there to the System Headend.

(E) The City and/or BCC shall provide the necessary optronic transmitter(s) and receiver(s) and shall be responsible for the signal quality on the return line from the new City Hall to the City/BCC Headend.

(F) The Franchisee shall provide the necessary optronic transmitter(s) and receiver(s), capable of accepting, transmitting and receiving the video/audio signal(s) from the City/BCC Headend equipment without degradation, limitation or loss of signal. For purposes of signal quality, the identified point of demarcation will be the input connector on the optronic transmitter(s) provided by the Franchisee at the City/BCC Headend. Once the optronic transmitter(s) provided by the Franchisee receives the signal(s) from the City/BCC Headend, to transmit them to the System Headend the Franchisee shall be responsible for the signal quality on the return line to the System

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Headend and on the System.

SECTION 10. GENERAL RIGHT-OF-WAY USE AND CONSTRUCTION

10.1 Construction

(A) Subject to applicable laws, regulations and ordinances of the City and the provisions of this Franchise, the Franchisee may perform all maintenance, construction, repair, upgrade and reconstruction necessary for the operation of its System. All construction and maintenance of any and all of the Franchisee's facilities within Right-of-Way shall, regardless of who performs the construction, be and remain the Franchisee's responsibility. The Franchisee shall apply for, and obtain, all permits necessary for construction of any facilities and for excavating and laying any facilities underground within the Right-of-Way. The Franchisee shall pay all applicable fees upon issuance of the requisite construction permits by the City to the Franchisee.

(B) The Franchisee may make excavations in Right-of-Way for any facility needed for the maintenance or extension of the Franchisee's System. Prior to doing such work, the Franchisee shall apply for, and obtain, appropriate permits from the City, and give appropriate notices to the City. As a condition of any permits so issued, City officials may impose such conditions and regulations as are lawful and necessary for the purpose of protecting any structures in such Right-of-Way, proper restoration of such Right-of-Way and structures, protection of the public and the continuity of pedestrian or vehicular traffic.

(C) In the event that emergency repairs are necessary, the Franchisee shall immediately notify the City of the need for such repairs. The Franchisee may initiate such emergency repairs, and shall apply for appropriate permits within forty-eight (48) hours after discovery of the emergency.

10.2 Location of Facilities

(A) Upon the City's reasonable request, in connection with the design of any City project, the Franchisee will verify the location of its underground System within the Franchise Area by marking on the surface the location of its underground facilities as required by law. However, when necessary for the actual design of any City project, the City may reasonably request that the Franchisee identify the exact location of its underground System by excavating (e.g., pot holing) at no expense to the City.

(B) Upon the City's reasonable request, the Franchisee will provide, at no expense to the City, copies of available drawings, maps or plans showing the location of Franchisee's System within the Franchise Area.

10.3 Restoration of Right-of-Way and Other Public Property

If the Franchisee excavates, disturbs or damages any Right-of-Way or other

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public property, then the Franchisee shall be responsible for restoration in accordance with applicable regulations. The City may, after providing notice to the Franchisee and an opportunity to cure a failure in restoration, or without notice where the excavation, disturbance or damage may create a risk to public health, safety or welfare, or cause delay or added expense to a public project or activity, repair, refill or repave any excavation, disturbance or damage. The cost thereof, including the costs of inspection and supervision, shall be paid by the Franchisee. All excavations made by the Franchisee in Right-of-Way shall be properly safeguarded for the prevention of accidents.

10.4 Maintenance and Workmanship

(A) The Franchisee's Cable Communications System shall be constructed and maintained in such manner as not to interfere with sewers, water pipes or any other property of the City, or with any other pipes, wires, conduits, pedestals, structures or other facilities that may have been laid in the Right-of-Way by, or under, the City's authority.

(B) The Franchisee shall provide and use any equipment and appliances necessary to control and carry the Franchisee's signals so as to prevent injury to the City's property or property belonging to any Person. The Franchisee, at its own expense, shall repair, renew, change and improve its facilities to keep them in good repair and safe and presentable condition.

(C) The Franchisee will maintain membership in good standing with the Utility Coordinating Council One Call Center or other similar or successor organization designated to coordinate underground equipment locations and installations. The Franchisee shall abide by RCW Chapter 19.122 (Washington State's "Underground Utilities" statutes) and will further comply with and adhere to local procedures, customs and practices relating to the one call locator service program.

(E) The Franchisee shall give reasonable notice to private property owners of construction work in adjacent Right-of-Way.

10.5 Acquisition of Facilities

Upon the Franchisee's acquisition of facilities in any Right-of-Way, or upon the addition or annexation to the City of any area in which the Franchisee owns or operates any facility, the Franchisee shall, at the City's request, submit to the City a statement describing all facilities involved, whether authorized by franchise, permit, license or other prior right, and specifying the location of all such facilities to the extent the Franchisee has possession of such information. Such facilities shall immediately be subject to the terms of this Franchise.

10.6 Relocation of Facilities

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(A) Movement of the System For and By the City. Nothing in this Franchise shall prevent the City or public utilities from constructing any public work or capital improvement. The Franchisee shall assume the costs (in accordance with applicable law) associated with any requirement of the City to relocate its Cable Communications System facilities located in the Right-of-Way. Following sixty (60) days written notice by the City, the Franchisee shall remove, replace, relocate, modify or disconnect any of its Facilities within any Right-of-Way, or on any other property of the City, except that the City shall provide at least ninety (90) days written notice of any major City capital improvement project which would require the removal, relocation, replacement, modification or disconnection of the Franchisee's facilities or equipment from the Right-of-Way. If the Franchisee fails to complete this work within the time prescribed and to the City's satisfaction, the City may cause such work to be done and bill the cost of the work to the Franchisee. The Franchisee shall remit payment to the City within forty-five (45) days of receipt of an itemized list of those costs.

In the case of fire, disaster or other emergency, the City may remove or disconnect the Franchisee's facilities and equipment located in the Right-of-Way or on any other property of the City. The City shall provide reasonable notice to the Franchisee prior to taking such action and shall provide the Franchisee with the opportunity to perform such action unless, in the City's sole judgment, the eminent threat to public health safety or welfare make such notice impractical.

(B) Movement for Other Permittees. At the request of any Person holding a valid City permit and upon reasonable advance notice, the Franchisee shall remove, replace, relocate, modify or disconnect any of its Facilities or temporarily raise, lower or remove its Facilities as necessary to accommodate the work under the permit. Unless the project is identified by the City as a part of a City capital improvement project, the cost must be paid by the permit holder, and the Franchisee may require the estimated payment in advance.

(C) If the City requires the subsequent relocation of any Cable Communications System equipment or facilities within five (5) years from the date of relocation of such facilities pursuant to this Section, the City shall bear the entire cost of such subsequent relocation.

(D) The City shall not be required to obtain easements for the Franchisee.

10.7 Right-of-Way Vacation

If any Right-of-Way or portion thereof used by the Franchisee is vacated by the City during the term of this Franchise, unless the City specifically reserves to the Franchisee the right to continue the use of vacated Right-of-Way, the Franchisee shall, without delay or expense to the City, remove its facilities from such Right-of-Way, and restore, repair or reconstruct the Right-of-Way where such removal has occurred. In the event of failure, neglect or refusal of the Franchisee, after thirty (30) days' notice by the City, to restore, repair or reconstruct such Right-of-Way, the City may do such work

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or cause it to be done, and the reasonable cost thereof, as found and declared by the City, shall be paid by the Franchisee within forty-five (45) days of receipt of an invoice and documentation.

10.8 Removal of Discontinued Facilities

Whenever the Franchisee intends to discontinue using any Cable Communications System facilities within the Right-of-Way, the Franchisee shall submit a complete description of the facilities and the date on which the Franchisee intends to discontinue using the facilities to the City. The Franchisee may remove the facilities or request that the City allow them to remain in place. Notwithstanding the Franchisee's request that any such facilities remain in place, the City may require the Franchisee to remove the facilities from the Rights of Way or modify the facilities to protect the public health, welfare, safety and convenience, or otherwise serve the public interest. The City may require the Franchisee to perform a combination of modification and removal of the facilities. The Franchisee shall complete such removal or modification in accordance with a reasonable schedule set by the City. Until such time as the Franchisee removes or modifies the facilities, or until the rights to and responsibility for the facilities are accepted by another Person having authority to construct and maintain such facilities, the Franchisee shall be responsible for all necessary repairs and relocations of the facilities, as well as maintenance of the Right-of-Way, in the same manner and degree as if the facilities were in active use, and the Franchisee shall retain all liability for such facilities.

10.9 Hazardous Substances

(A) The Franchisee shall comply with all applicable State and federal laws, statutes, regulations and orders concerning hazardous substances within the Right-of-Way.

(B) The Franchisee shall maintain and inspect its Cable Communications System located in Right-of-Way. Upon reasonable notice to the Franchisee, the City may inspect the Franchisee's facilities in Right-of-Way to determine if any release of hazardous substances has occurred, or may occur, from or related to the Franchisee's System. In removing or modifying the Franchisee's facilities as provided in this Franchise, the Franchisee shall also remove all residue of hazardous substances related thereto.

10.10 Undergrounding of Cable

(A) The following terms and conditions shall control the aerial and underground construction, installation, operation and maintenance of Franchisee's Cable Communication System during the term of this Franchise.

(1) In areas of the Franchise Area where electrical or telephone utility wiring is aerial and Franchisee's existing Cable Communications System facilities are

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aerial, the Franchisee may continue to operate and maintain the existing Cable Communications System aerially.

(2) Where construction or installation of any Cable Communications System coaxial wire or fiber sheaths results in a change in use or an intensification of an existing use, then the Cable Communications System coaxial wire or fiber sheaths shall be placed underground, unless the requirement to underground is delayed as part of a specific program to coordinate undergrounding of several utilities or in conjunction with an undergrounding program for several sites or when related to future street improvements. For the purpose of this section the terms "change in use" or "intensification of an existing use" shall mean adding new coaxial wire(s) or fiber sheaths where none previously existed; increasing the number of coaxial wires or fiber sheaths, or; increasing the size or dimension of the existing coaxial wires or fiber sheaths by one half inch ($\frac{1}{2}$ ") or more in diameter when doing a one for one change out.

(3) In those areas of the Franchise Area where electrical or telephone utility wiring is aerial and the Franchisee's construction or installation of any Cable Communications System coaxial wires or fiber sheaths results in a change in use or an intensification of an existing use, the Franchisee may request consent from the City for aerial construction. Consent by the City will be granted on a case by case basis and will not be unreasonably withheld.

(4) When electric and telephone utility wiring and the aerial lines of telecommunications providers in an area of the Franchise Area are subsequently relocated to underground the Franchisee shall relocate its aerial Cable Communications System facilities to underground, at no cost or expense to the City, at the same time.

(5) The Franchisee shall utilize existing poles wherever possible. This Franchise does not grant, give or convey to the Franchisee the right or privilege to install its facilities in any manner on specific utility poles or equipment of the City or any other Person.

(B) Related Cable Communications System facilities (such as pedestals, equipment cabinets, etc.) must be placed in accordance with applicable City code requirements and underground utility policies, as interpreted by the City.

(C) The City shall provide reasonable advanced notice of available opportunities for access to open trenches. To the extent technically and economically feasible, the Franchisee shall participate with other providers in joint trench projects to relocate its overhead facilities underground provided that Franchisee's share of the cost of participation in a joint trench project does not exceed Franchisee's cost of relocation to a single occupancy trench.

10.11 Avoid Interference

The Franchisee shall arrange its lines, cables and other appurtenances, on both public and private property, in such a manner as to cause no unreasonable interference

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with the use of said public or private property by any Person. In the event of such interference, the City may require the removal or relocation of the Franchisee's lines, cables and other appurtenances from the property in question.

10.12 Tree Trimming

Upon obtaining a permit from the City, the Franchisee may trim or prune trees in the Right-of-Way that interfere with the System. Any such trimming or pruning will be performed using standard practices accepted by the International Society of Arboriculture (ISA) addressing vegetation health and aesthetics.

10.13 Standards

(A) All work authorized and required hereunder shall be done in a safe, thorough and workmanlike manner. The Franchisee must comply with all federal, State and local safety requirements, rules, regulations, laws and practices, and employ all necessary devices as required by applicable law during construction, operation and repair of its Cable Communications System. By way of illustration and not limitation, the Franchisee must comply with the National Electric Code, National Electrical Safety Code and Occupational Safety and Health Administration (OSHA) Standards.

(B) The Franchisee shall ensure that all cable drops are properly bonded and grounded at the home, consistent with applicable code requirements. All non-conforming or non-performing cable drops shall be replaced by the Franchisee as necessary.

(C) All installations of equipment shall be permanent in nature, durable and installed in accordance with good engineering practices and of sufficient height to comply with all federal, State and local regulations, ordinances and laws so as not to interfere in any manner with the right of the public or individual property owner, and shall not interfere with the travel and use of public places by the public during the construction, repair, operation or removal thereof, and shall not obstruct or impede traffic.

(D) In the maintenance and operation of its System in the Right-of-Way and other public places, and in the course of any new construction or addition to its facilities, the Franchisee shall proceed so as to cause the least possible inconvenience to the general public; any opening or obstruction in the Right-of-Way or other public places made by the Franchisee in the course of its operations shall be guarded and protected at all times by the placement of adequate barriers, fences or boarding, the bounds of which, during periods of dusk and darkness, shall be clearly marked.

10.14 Correction and Discontinuance of Unsafe, Nonconforming, or Unauthorized Conditions

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Whenever the City determines that the Franchisee has taken any action or caused any condition within the Franchise Area in violation of the Bellevue City Code or other applicable City ordinances, standards, procedures and/or regulations that results in or produces any unsafe, nonconforming, or unauthorized condition the City may order the correction or discontinuance of such condition or any activity causing such condition, or take any other remedial action, pursuant to applicable provisions of the Bellevue City Code or other applicable City ordinances, standards, procedures and/or regulations, as from time to time amended.

10.15 Work of Contractors and Subcontractors

The Franchisee's contractors and subcontractors shall be licensed and bonded in accordance with local ordinances, regulations and requirements. Work by contractors and subcontractors shall be subject to the same restrictions, limitations and conditions as if the work were performed by the Franchisee. The Franchisee shall be responsible for all work performed by its contractors and subcontractors and others performing work on its behalf, and shall ensure that all such work is performed in compliance with this Franchise and other applicable law.

10.16 Additional Ducts and Conduit

If the City is interested in contracting with the Franchisee to place additional duct or conduit in a specific area within the Franchise Area, it shall notify the Franchisee of its interest and the Franchisee shall determine whether the request could be incorporated into any future construction, relocation or maintenance projects. If a project is scheduled by the Franchisee wherein additional duct or conduit will be placed on behalf of the City, the following conditions shall apply:

(A) The City shall enter into a contract with the Franchisee consistent with RCW 80.36.150. The contract rates to be charged should recover the Incremental Costs of the Franchisee. If the City makes the additional duct or conduit and related access structures available to any other entity for the purposes of providing Cable Service or telecommunications service for hire, sale or resale to the general public, the rates to be charged, as set forth in the contract with the Franchisee shall recover at least the Fully Allocated Costs of the Franchisee. The Franchisee shall state both contract rates in the contract. The City shall inform the Franchisee of the use, and any change in use, of the requested duct or conduit and related access structures to determine the applicable rate to be paid by the City.

(B) The City shall not require that the additional duct or conduit space to be connected to the access structures and vaults of the Franchisee.

(C) The value of the additional duct or conduit requested by the City shall not be considered a public works construction contract.

(D) This section shall not affect the possible provision of an I-Net by the

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Franchisee as provided elsewhere in this Franchise or under federal law.

(E) At the City's sole option, the City may require Franchisee to furnish such additional duct or conduit and the related structures necessary to access the conduit or duct for the Incremental Costs (if such Incremental Costs have been mutually agreed to by the parties) by so notifying Franchisee no later than sixty (60) days after the information is provided by the Franchisee. Notwithstanding the foregoing, Franchisee's construction, relocation or maintenance projects shall not be unreasonably delayed as a result of the requirements contained within this section.

(F) If the City requires Franchisee to furnish additional duct, conduit or related structures pursuant to this section, the Franchisee shall construct these facilities to the same standards as Franchisee's own new facilities, and shall turn such additional duct, conduit or related structures over to the City upon completion of same and satisfactory inspection thereof by the City. The Franchisee shall be responsible for any required filings with State agencies or commissions.

SECTION 11. SYSTEM DESIGN AND CAPABILITY

(A) Prior to the effective date of this Franchise, the Franchisee undertook a voluntary upgrade of its Cable Communication System to a hybrid fiber coaxial (HFC) fiber-to-the-node system architecture, with fiber-optic cable deployed from the Headend to the nodes and tying into a coaxial system already serving Subscribers. The Cable Communication System is capable of delivering high quality signals that meet or exceed FCC technical quality standards regardless of a particular manner in which signal is transmitted. The Franchisee agrees to maintain the Cable Communication System in a manner consistent with, or in excess of these specifications throughout the term of this Franchise.

(B) Throughout the term of this Franchise, the Franchisee shall provide additional Cable Communication System facilities and equipment, expand Cable Communication System channel capacity and otherwise upgrade or re-build its Cable Communications System as required to incorporate improvements in technology as necessary to reasonably meet the needs and interests of the community, in light of the costs thereof.

SECTION 12. TECHNICAL STANDARDS

12.1 Technical Performance

The technical performance of the Cable Communication System shall meet or exceed all applicable technical standards authorized or required by law, including, without limitation, FCC technical standards, as they may be amended from time to time, regardless of the transmission technology utilized. The City shall have the full authority

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permitted by applicable law to enforce compliance with these technical standards.

12.2 Inspection of Construction

The City shall have the right to inspect any construction or installation work performed under this Franchise and to charge generally applicable inspection fees therefore. If an unsafe condition is found to exist, the City, in addition to taking any other action permitted under applicable law, may order the Franchisee, in writing, to make the necessary repairs and alterations specified therein forthwith to correct the unsafe condition within the time specified by the City. The City has the right to correct, inspect, administer and repair the unsafe condition if the Franchisee fails to do so within the time specified, and to charge the Franchisee therefore.

12.3 Cable Communication System Performance Testing

(A) The Franchisee shall, at its expense, perform all tests on its Cable Communication System required by the FCC (including at least one (1) test point located within the City) and shall maintain written records of its test results. Copies of such test results will be provided to the City upon request.

(B) All required technical performance or other System tests shall be at the expense of the Franchisee and may be witnessed by representatives of the City. Upon request, the Franchisee will notify the City before any required technical proof-of-performance or other testing occurs.

(C) The Franchisee shall promptly take such measures as are necessary and diligently continue the same until completion in order to correct any performance deficiencies fully and to prevent their recurrence. The Franchisee's failure to correct deficiencies identified through this testing process shall be a violation of this Franchise. Sites shall be re-tested within five (5) days following correction until correction has been confirmed and satisfactory results are obtained.

12.4 Additional Tests

(A) Upon thirty (30) days prior written notice, the City may require the Franchisee to conduct proof of performance tests on up to seven (7) test points located within the City. This testing requirement may only be triggered by the City once during the thirty-six (36) month franchise renewal window.

(B) Notwithstanding Subsection (A) above, where there exists a pattern of poor technical performance or quality on the Cable Communication System, the City may upon thirty (30) days prior written notice, require the Franchisee to conduct an additional performance test within the City. The Franchisee shall fully cooperate with the City in performing such testing and shall prepare the results and a report if requested, within thirty (30) days after testing. Such report shall include the following information:

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- tests;
- (1) The nature of the complaint or problem that precipitated the special tests;
 - (2) The Cable Communication System component tested;
 - (3) The equipment used and procedures employed in testing;
 - (4) The method, if any, in which such complaint or problem was resolved; and
 - (5) Any other information pertinent to said tests and analysis that may be required.

SECTION 13. SERVICE EXTENSION

13.1 Service Availability

(A) In general, except as otherwise provided herein, the Franchisee shall provide a standard installation of Cable Service within seven (7) days of a request by any Person within its Franchise Area. For purposes of this Section, a request shall be deemed made on the date of signing a service agreement, receipt of funds by the Franchisee, receipt of a written request by the Franchisee or receipt by the Franchisee of a verified verbal request. The Franchisee shall provide such service:

(1) With no line extension charge except as specifically authorized elsewhere in this Franchise.

(2) At a non-discriminatory installation charge for a standard installation, consisting of a one hundred twenty-five (125) foot aerial drop connecting to the exterior demarcation point for Subscribers, with additional charges for non-standard installations computed according to a non-discriminatory methodology for such installations, adopted by the Franchisee and provided in writing to the City.

(B) No customer shall be refused service arbitrarily. However, for unusual circumstances, such as the existence of more than one hundred twenty-five (125) feet of aerial distance from distribution cable to connection of service to Customers, or a density of less than twenty-five (25) residences per 5280 cable-bearing strand feet of trunk or distribution cable, service may be made available on a pro rata cost basis of construction including cost of material, labor and easements. For the purpose of determining the amount of cost of construction to be borne by the Franchisee and Customers in the area in which service may be expanded, the Franchisee will contribute an amount equal to the construction and other costs per mile, multiplied by a fraction, whose numerator equals the actual number of residences per 5280 cable-bearing strand feet of its trunk or distribution cable and whose denominator equals twenty-five (25). Customers who request service hereunder will bear the remainder of the

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construction and other costs on a pro rata basis. The Franchisee may require that the payment of the pro rata cost of construction borne by such potential customers be paid in advance.

SECTION 14. STANDBY POWER AND EMERGENCY ALERT SYSTEM

14.1 Standby Power

The Franchisee shall provide standby power generating capacity at the System Headend capable of providing at least twelve (12) hours of emergency operation.

14.2 Emergency Alert Capability

(A) In accordance with, and at the time required by, the provisions of FCC Regulations, as such provisions may from time to time be amended, Emergency Alert System ("EAS") activation will be accomplished in compliance with the EAS Plans that apply to the City.

(B) The City shall only permit its appropriately trained and authorized persons to operate the EAS equipment and shall take reasonable precautions to prevent any use of the Franchisee's Cable Communication System that in any manner results in an inappropriate use thereof. To the extent allowed by law, the City shall hold the Franchisee, its employees and officers harmless from any claims arising out of the emergency use of the EAS facilities by the City, including, but not limited to, reasonable attorneys' fees and costs.

(C) The Franchisee shall ensure that the EAS system is functioning properly at all times. It will test the EAS system periodically, in accordance with FCC regulations.

SECTION 15. FRANCHISE VIOLATIONS

15.1 Procedure for Remedying Non-Material Franchise Violations

(A) If the City believes that the Franchisee has failed to perform any non-material obligation under this Franchise or has failed to perform in a timely manner, the City shall notify the Franchisee in writing, stating with reasonable specificity the nature of the alleged default. The Franchisee shall have thirty (30) days from the receipt of such notice to:

(1) Respond to the City, contesting the City's assertion that a default has occurred, and requesting a meeting in accordance with subsection (B), below; or

(2) Cure the default; or

(3) Notify the City that the Franchisee cannot cure the default within the thirty (30) days, because of the nature of the default. In the event the default cannot be cured within thirty (30) days, the Franchisee shall promptly take all reasonable steps

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to cure the default and notify the City in writing and in detail as to the exact steps that will be taken and the projected completion date. In such case, the City may set a meeting in accordance with subsection (B) below to determine whether additional time beyond the thirty (30) days specified above is indeed needed, and whether the Franchisee's proposed completion schedule and steps are reasonable.

(B) If the Franchisee does not cure the alleged default within the cure period stated above, or by the projected completion date under subsection (A) (3), or denies the default and requests a meeting in accordance with subsection (A) (1), or the City orders a meeting in accordance with subsection (A) (3), then the City shall set a meeting to investigate said issues and the existence of the alleged default. The City shall notify the Franchisee of the meeting in writing and such meeting shall take place no less than thirty (30) days after the Franchisee's receipt of notice of the meeting. At the meeting, the Franchisee shall be provided an opportunity to be heard and to present evidence in its defense.

(C) If, after the meeting, the City determines that a default exists; the Franchisee and the City may agree on a plan and schedule to cure the default. Absent such agreement, the City shall order the Franchisee to correct or remedy the default or breach within fifteen (15) days or within such other reasonable timeframe as the City shall determine. In the event the Franchisee does not cure within such time, to the City's reasonable satisfaction, the City may:

(1) Pursue the revocation of this Franchise pursuant to Sections 15.2, Revocation and 15. 3, Revocation Procedures and Process below; or

(2) Pursue any other legal or equitable remedy available under this Franchise or any applicable law;

(D) The determination as to whether a non-material violation of this Franchise has occurred shall be within the discretion of the City, provided that any such determination may be subject to appeal to the City Council or review by a court of competent jurisdiction under applicable law.

15.2 Revocation

A. In addition to all other rights and powers retained by the City, the City reserves the right to revoke and terminate this Franchise and all rights and privileges of the Franchisee in the event of a substantial violation or breach of its terms and conditions. A substantial violation or breach by the Franchisee shall include, but shall not be limited to, any of the following acts or omissions:

1. An uncured substantial violation of any material provision of this Franchise, or any material rule, order or regulation of the City made pursuant to its power to protect the public health, safety and welfare;

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2. Any default in the performance of any of the Franchisee's material obligations under any other documents, agreements and other terms and provisions entered into by and between the City and the Franchisee;
3. An intentional evasion or knowing attempt to evade any material provision of this Franchise or the practice of any fraud or deceit upon the Cable Communications System Subscribers or upon the City;
4. Failure to begin or substantially complete any System construction or System extension as required;
5. Failure to provide the services as specified in this Franchise, or a reasonable substitute therefor;
6. Any use or occupation of the Right of Way that presents a risk to public health or safety or the construction, installation, operation or maintenance of the Cable Communications System in an unsafe or dangerous manner;
7. The willful violation of any orders or rulings of any regulatory body having jurisdiction over the Franchisee relative to this Franchise;
8. Misrepresentation of material fact in the application for, or during negotiations relating to, this Franchise;
9. A continuous and willful pattern of inadequate service or failure to respond to legitimate subscriber complaints;
10. Failure to provide insurance, bonds, letter of credit, or indemnity as required by this Franchise;
11. An uncured failure to pay Franchise Fees as required by this Franchise agreement.

B. None of the foregoing shall constitute a substantial violation or breach if the Franchisee is without fault or if the violation or breach occurs as a result of circumstances beyond the Franchisee's reasonable control. The Franchisee shall bear the burden of proof in establishing the existence of such circumstances. However, the Franchisee's substantial violation or breach shall not be excused by economic hardship nor by nonfeasance or malfeasance of its directors, officers, employees, agents or, contractors.

15.3 Revocation Procedures and Process

A. This Franchise may be terminated in accordance with the following procedures:

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1. The City Manager, or other person designated by the City Manager, shall notify the Franchisee in writing of the exact nature of the alleged substantial violation or breach constituting a ground for termination. Said notice shall provide that the Franchisee shall have sixty (60) days from the date of receipt of the notice to correct and cure such alleged substantial violation or breach or to present facts and argument in refutation of the alleged substantial violation or breach. A copy of said notice of substantial violation or breach shall be mailed to the surety on any performance bond.

2. If the Franchisee corrects any alleged substantial violation or breach within the sixty (60) day cure period, then in no event shall the violation be weighed against such Franchisee in any subsequent review of Franchise performance.

3. If the Franchisee does not correct and cure the alleged substantial violation or breach within the sixty (60) day cure period then the City Council shall, within forty-five (45) days of the last day of the sixty (60) cure period designate the Hearing Examiner as the hearing officer to conduct a public hearing to determine if the revocation and termination of the Franchise is warranted and to make a recommendation to the City Council. That recommendation shall be transmitted to the City Council for final action on a closed record. The City Council shall act as the final decisionmaker.

4. At least twenty (20) days prior to the public hearing, the City Clerk, shall issue a public hearing notice and order that shall: establish the issue(s) to be addressed in the public hearing; provide the time, date and location of the hearing; provide that the City shall hear any persons interested therein; and provide that the Franchisee shall be afforded fair opportunity for full participation, including the right to introduce evidence, to require the production of evidence, to be represented by counsel and to question witnesses.

5. The Hearing Examiner shall hear testimony, take evidence, hear oral argument and receive written briefs. The Hearing Examiner shall create for the City Council a complete record of the public hearing including all exhibits introduced at the hearing and an electronic sound recording.

6. The Franchisee carries the burden of proof and must demonstrate that a preponderance of the evidence supports the conclusion that there is not an uncured substantial violation or breach or that the substantial violation or breach is a result of circumstances beyond the Franchisee's reasonable control.

7. Within ten (10) working days after the close of the record the Hearing Examiner shall issue a written decision that shall include the recommendation of the Hearing Examiner on the revocation and termination of the Franchise; a findings of facts upon which the recommendation is based; and the conclusions derived from those facts.

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B. The City Council shall, at a public meeting, consider and take final action on the recommendation of the Hearing Examiner. The City Council shall not accept new information, written or oral, but shall consider the complete record developed before the Hearing Examiner and the recommendation of the Hearing Examiner.

C. At the public meeting the City Council shall either:

1. Accept the recommendation of the Hearing Examiner; or
2. Reject the recommendation of the Hearing Examiner; or
3. Remand the decision to the Hearing Examiner for an additional hearing limited to specific issues identified by the City Council.

D. The City Council shall adopt an ordinance which accepts or rejects the recommendation of the Hearing Examiner by a majority vote of the membership of the Council. If the action by the City Council will result in the revocation and termination of the Franchise then the ordinance shall declare that the Franchise shall be revoked and terminated; any security fund or bonds are forfeited; and shall include findings of fact and conclusions derived from those facts which support the decision of the Council. The City Council may by reference adopt some or all of the findings and conclusions of the Hearing Examiner.

15.4 Removal

(A) In the event of the termination, expiration, revocation or non-renewal of this Franchise, and after all appeals from any judicial determination are exhausted and final, the City may order the removal of the Cable Communications System facilities from the Franchise Area at the Franchisee's sole expense, within a reasonable period of time as determined by the City. In removing its plant, structures and equipment, the Franchisee shall refill, at its own expense, any excavation that is made by it and shall leave all Right-of-Way, public places and private property in as good a condition as that prevailing prior to the Franchisee's removal of its equipment.

(B) If the Franchisee fails to complete any required removal to the satisfaction of the City, the City may cause the work to be done, and the Franchisee shall reimburse the City for the reasonable costs incurred within thirty (30) days after receipt of an itemized list of the City's expenses and costs, or the City may recover its expenses and costs from the security, or pursue any other judicial remedies for the collection thereof. Any expenses incurred in the collection by the City of such obligation shall be included in the monies due the City from the Franchisee, including reasonable attorneys' fees, court expenses and expenses for work conducted by the City's staff or agents.

SECTION 16. ABANDONMENT

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If the Franchisee abandons its System during the Franchise term, or fails to operate its Cable Communications System as required herein, the provisions of this Franchise and the City Code shall apply and the City, at its option, may operate the Cable Communications System or; designate another entity to operate the Cable Communications System temporarily until the Franchisee restores service, or until the Franchise is revoked and a new franchisee is selected by the City. If the City designates another entity to operate the Cable Communications System, the Franchisee shall reimburse the City for all reasonable costs, expenses and damages incurred, including reasonable attorneys' fees, court expenses and attributed expenses for work conducted by the City's staff or authorized agents.

SECTION 17. FRANCHISE TRANSFER

Transfer of Ownership or Control

(A) The Cable Communications System and this Franchise shall not be sold, assigned, transferred, leased or disposed of, either in whole or in part, either by involuntary sale or by voluntary sale, merger or consolidation; nor shall title thereto, either legal or equitable, or any right, interest or property therein pass to or vest in any Person or entity without the prior written consent of the City, which consent shall not be unreasonably withheld. Such consent shall not be deemed to waive any rights of the City to subsequently enforce noncompliance issues relating to this Franchise.

(B) The Franchisee shall promptly notify the City of any actual or proposed sale, change in, transfer of, or acquisition by any other party of control of the Franchisee. The word "control" as used herein is not limited to majority stock ownership but includes actual working control in whatever manner exercised. Every change, transfer or acquisition of control of the Franchisee shall make this Franchise subject to cancellation unless and until the City shall have consented in writing thereto. Such consent shall not be deemed to waive any rights of the City to subsequently enforce noncompliance issues relating to this Franchise.

(C) The parties to the sale, transfer or change in control of the Cable Communications System or the Franchisee shall make a written request to the City for its approval of a sale or transfer or change in control and furnish all information required by law.

(D) In seeking the City's consent to any change in ownership or control, the proposed transferee or new controlling Person or entity shall indicate whether, as applicable, it:

(1) Has ever been convicted or held liable for acts involving deceit including any violation of federal, State or local law or regulations, or is currently under an indictment, investigation or complaint charging such acts;

(2) Has ever had a judgment in an action for fraud, deceit or

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misrepresentation entered against it by any court of competent jurisdiction;

(3) Has pending any material legal claim, lawsuit or administrative proceeding arising out of or involving a Cable Communications System;

(4) Is financially solvent, by submitting financial data including financial statements that are audited by a certified public accountant who may also be an officer of the transferee or new controlling entity, along with any other data that the City may reasonably require; and

(5) Has the financial, legal and technical capability to enable it to maintain and operate the Cable Communications System for the remaining term of the Franchise.

(E) The City shall act on the request within one hundred twenty (120) days of the request, provided it has received a complete application with all information required by FCC Form 394. Subject to the foregoing, if the City fails to render a final decision on the request within one hundred twenty (120) days, such request shall be deemed granted unless the requesting party and the City agree to an extension of time.

(F) Within thirty (30) days of any transfer, sale or change in control, if approved or deemed granted by the City, Franchisee shall file with the City a copy of the deed, agreement, lease or other written instrument evidencing such sale or transfer of ownership or change in control, certified and sworn to as correct by Franchisee and the transferee or new controlling Person or entity. In case of a sale or transfer of ownership the transferee shall file its written acceptance agreeing to be bound by all of the provisions of this Franchise, subject to applicable law. In the event of a change in control, in which the Franchisee is not replaced by another entity, the Franchisee will continue to be bound by all of the provisions of this Franchise, subject to applicable law, and will file a written acceptance as required.

(G) In reviewing a request for sale or transfer or change in control, the City may inquire into the legal, technical and financial qualifications of the prospective controlling party or transferee, and Franchisee shall assist the City in so inquiring. The City may condition said sale or transfer or change in control upon such terms and conditions as it deems reasonably appropriate; provided, however, any such terms and conditions so attached shall be related to the legal, technical and financial qualifications of the prospective controlling party or transferee. Additionally, such Person shall effect changes as promptly as practicable in the operation of the Cable Communications System, if any changes are necessary, to cure any violations or defaults presently in effect or ongoing.

(H) Notwithstanding anything to the contrary in this subsection, the prior approval of the City shall not be required for any sale, assignment or transfer of the Franchise or Cable Communications System to an intra-company Affiliate; provided that the proposed assignee or transferee must show financial responsibility as may be

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determined necessary by the City and must agree in writing to comply with all of the provisions of the Franchise. Further, Franchisee may pledge the assets of the Cable Communications System for the purpose of financing without the consent of the City; provided that such pledge of assets shall not impair or mitigate Franchisee's responsibilities and capabilities to meet all of its obligations under the provisions of this Franchise.

SECTION 18. NOTICES

Throughout the term of this Franchise, each party shall maintain and file with the other a local address for the service of notices by mail. All notices shall be sent to such respective address, and such notices shall be effective upon the date of mailing. At the effective date of this Franchise:

The Franchisee's address shall be:

Comcast of Bellevue, Inc.
P.O. Box 97007
Redmond, WA 98073-97007
Attention: Area Vice President

With a copy to:

Comcast of Bellevue, Inc.
P.O. Box 3042
Bothell, WA 98041-3042
Attention: Franchise Department

The City's address shall be:

City of Bellevue
P.O. Box 90012
Bellevue, WA 98009-9012
Attention: Cable Franchise Manager

With a copy to:

City of Bellevue
P.O. Box 90012
Bellevue, WA 98009-9012
Attention: City Clerk

SECTION 19. MISCELLANEOUS PROVISIONS

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19.1 Cumulative Rights

Subject to applicable law, all rights and remedies given to the City by this Franchise or retained by the City herein shall be in addition to and cumulative with any and all other rights and remedies, existing or implied, now or hereafter available to the City, at law or in equity, and such rights and remedies shall not be exclusive, but each and every right and remedy specifically given by this Franchise or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed expedient by the City and the exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy.

192 Costs to be Borne by the Franchisee

The Franchisee shall pay for all costs of publication of this Franchise, and any and all notices prior to any public meeting or hearing provided for pursuant to this Franchise.

19.3 Binding Effect

This Franchise shall be binding upon the parties hereto, their permitted successors and assigns.

19.4 Authority to Amend

This Franchise may be amended at any time by written agreement between the parties.

19.5 Venue

The venue for any dispute related to this Franchise shall be in the United States District Court for the Western District of Washington or in the King County Superior Court in Bellevue, Washington.

19.6 Governing Law

This Franchise shall be governed in all respects by federal law, the laws of the State of Washington and local laws.

19.7 Captions

The captions and headings of this Franchise are for convenience and reference purposes only and shall not affect in any way the meaning or interpretation of any provisions of this Franchise.

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19.8 No Joint Venture

Nothing herein shall be deemed to create a joint venture or principal-agent relationship between the parties and neither party is authorized to, nor shall either party act toward third persons or the public in any manner that would indicate any such relationship with the other.

19.9 Waiver

The failure of either party at any time to require performance by the other of any provision hereof shall in no way affect the right of the other party hereafter to enforce the same. Nor shall the waiver by either party of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself or any other provision.

19.10 Severability

If any section, subsection, paragraph, term or provision of this Franchise is determined to be illegal, invalid or unconstitutional by any court or agency of competent jurisdiction, such determination shall have no effect on the validity of any other Section, subsection, paragraph, term or provision of this Franchise, all of which will remain in full force and effect for the term of the Franchise.

19.11 Compliance with Federal, State, and Local Laws

The Franchisee shall comply with applicable federal, state and local laws, rules and regulations now existing or hereafter adopted.

19.12 Force Majeure

The Franchisee shall not be held in default under, or in noncompliance with, the provisions of this Franchise, nor suffer any enforcement or imposition of damages relating to noncompliance or default, where such noncompliance or alleged defaults occurred or were caused by circumstances reasonably beyond the ability of the Franchisee to anticipate and control, including war or riots, civil disturbances, floods or other natural catastrophes, labor stoppages, slow downs, power outages exceeding back-up power supplies or work delays caused by waiting for utility providers to service or monitor their utility poles to which the Franchisee's Cable Communication System is attached.

19.13 Time Limits Strictly Construed

Whenever this Franchise sets forth a time for any act to be performed by the Franchisee, such time shall be deemed to be of the essence, and any failure of the Franchisee to perform within the allotted time may be considered a breach of this Franchise. However, in the event that the Franchisee is prevented or delayed in the

PROPOSED COMCAST CABLE TV FRANCHISE

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performance of any of its obligations under this Franchise by reason beyond the reasonable control of the Franchisee, the Franchisee shall have a reasonable time, under the circumstances, to perform the affected obligation under this Franchise or to procure a substitute for such obligation that is satisfactory to the City.

IN WITNESS WHEREOF this Franchise is signed in the name of the City of Bellevue, Washington, a municipal corporation, this ____ day of _____, 2004.

By _____
Mayor

ATTEST:

City Clerk
Bellevue, Washington

APPROVED AS TO FORM

City Attorney

**PROPOSED COMCAST CABLE TV FRANCHISE
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Exhibit A

**Conduit Capacity and Pathway
Indefeasible Right of Use**

1. **Indefeasible Right to Use (IRU).** The City hereby grants to Comcast an IRU in the Conduit, Capacity and Pathway, contingent upon timely receipt of payment as specified in Section 3 of this Conduit Capacity and Pathway agreement (the "Agreement").

2. **Term.** This Agreement shall be made part of and run concurrent with the cable TV Franchise agreement (Resolution No. _____) between Comcast and the City of Bellevue and any extension or renewal thereof. Comcast is authorized to make use of a portion of the Conduit, as described below, for so long as Comcast continues to provide I-Net connection(s) to City Hall pursuant to the cable TV Franchise and the Institutional Network Agreement.

3. **Payment.** In consideration for the IRU granted pursuant to this Agreement, Comcast shall pay an IRU fee to the City in the amount of forty-three thousand dollars (\$43,000). Such fee shall constitute full payment for Comcast's use of the City's conduit and shall be paid within sixty (60) days of Comcast's acceptance of the cable TV Franchise agreement (Resolution No. _____) between Comcast and the City of Bellevue.

4. **Conduit Capacity and Pathway.** The IRU granted in this Agreement is for the following identified Conduit Capacity and Pathway (See Attachments 1 & 2):

- 1) Segmented portion of 2-inch conduit from NW corner of 116th Ave NE and Main St. crossing I-405 over pass to NE corner of 112th Ave NE and Main Street; from SE corner of 112th Ave NE and NE 4th crossing 112th NE to NW corner of 112th Ave NE and NE 4th to the City's common vault at NW corner of 112th and NE 4th
- 2) Accessory handholes and junction boxes
- 3) Dedicated 4-inch conduit from the City's common vault at NW Corner of 112th and NE 4th into the new City Hall SPOP

5. **Testing and Proofing.** Prior to making the Conduit Capacity and Pathway available, the City shall test and proof the Conduit to ensure that the Conduit Capacity and Pathway is in good and useable condition and, if necessary, the City shall promptly repair and correct any nonconformity or damage. Prior to making the Conduit Capacity and Pathway available the City will install inner duct to segment the conduit for use and occupation by the various users including the City and Comcast.

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6. Ownership and Maintenance. The City shall at all times own and maintain (at its cost and expense) the conduit and common accessory structures, including the handholes, junction boxes and vaults. Comcast shall at all times own and maintain (at its cost and expense) its identified fiber optic cable in the conduit and common accessory structures and any Comcast installed handholds, junction boxes or vaults. All users of the conduit and common accessory structures shall install ownership identification tags on all cables at all appearances in common accessory structures, including the handholes, junction boxes and vaults. All users shall take all necessary and prudent steps protect all cables in the shared conduits in the event of conduit damage.

7. Relocation. Unless the circumstances make such notice impracticable, the City shall give Comcast at least ninety (90) days prior written notice of any scheduled relocation of any portion of the Conduit Capacity and Pathway and as much advance notice as possible of any unscheduled relocation. The City shall be responsible for the relocation costs for the conduit and common accessory structures including the handholds, junction boxes and vaults. Comcast shall be responsible for the relocation costs of its identified fiber optic cable in the conduit and common accessory structures and any Comcast installed handholds, junction boxes or vaults.

8. Restriction on the Use of the Conduit, Capacity and Pathway. The City shall make available and Comcast may use the Conduit, Capacity and Pathway for the purpose of providing I-Net connection(s) to City Hall pursuant to the cable TV Franchise and the Institutional Network Agreement between the parties, and for providing fiber optic return lines for the City Government Access Channel (BTV) and for providing cable TV and other services to the new City Hall. Comcast may not sell, trade, exchange or otherwise make the Conduit Capacity and Pathway available for any other service provider's use without the City's consent, such consent not to be unreasonably withheld. Upon notification to the City, Comcast itself may use any excess capacity available within its identified portion of the inner duct and pathway for business purposes at no additional cost for the life of this Agreement, or any extension thereof. Comcast's use of its identified portion of the Conduit inner duct and Pathway may not interfere with or prohibit the use of the conduit and pathway by the City.

9. Incorporation of Terms by Reference. The cable TV Franchise agreement (Resolution No. _____) and the Institutional Network Agreement (City Clerk Filed No. 28346, May 24, 2000) are hereby incorporated by reference and made part of this Agreement as if fully set forth.

Attachments:

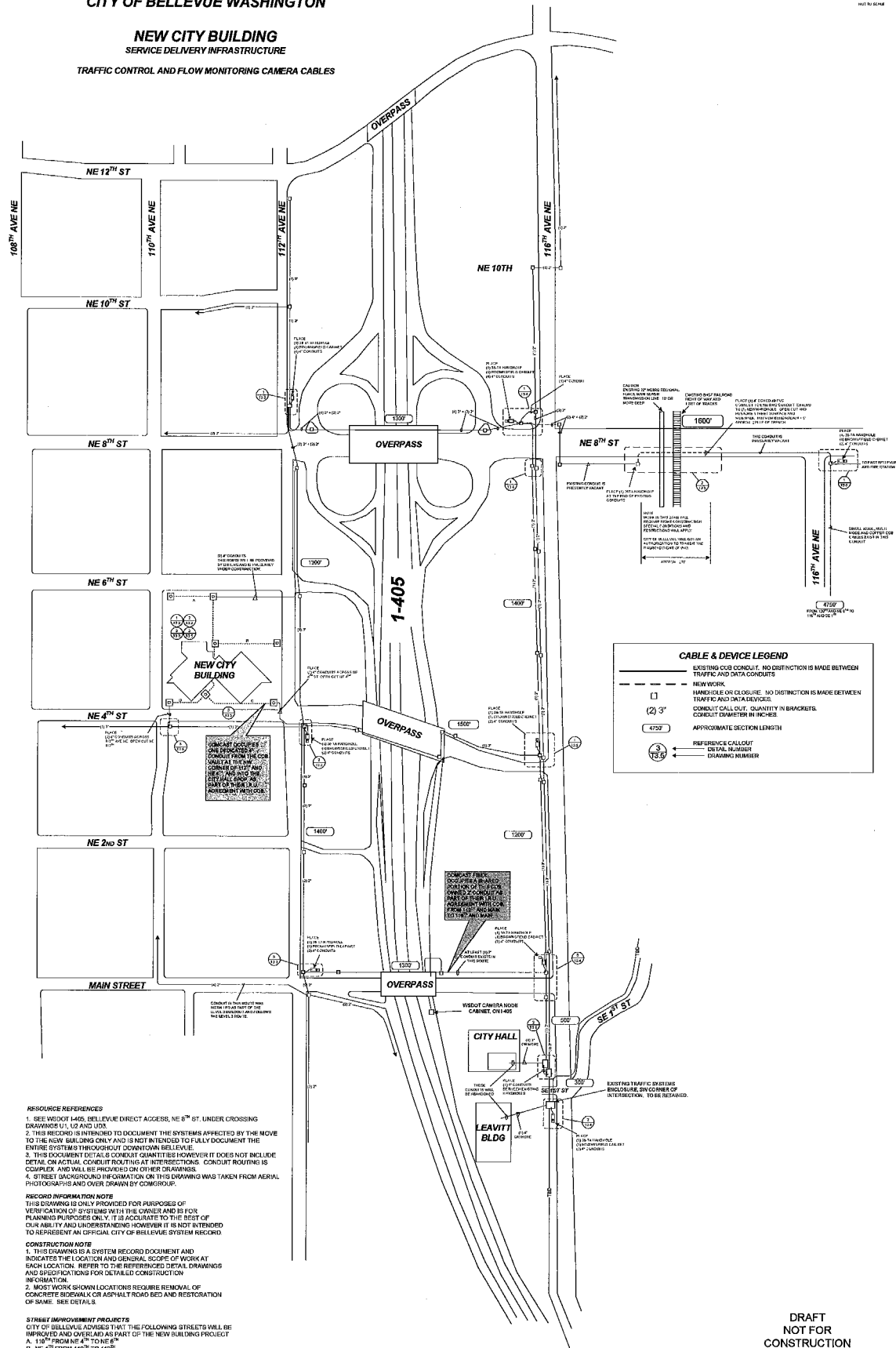
Attachment 1 – Comcast IRU conduit identification
Attachment 2 – Main St. 2-inch conduit fill



CITY OF BELLEVUE WASHINGTON

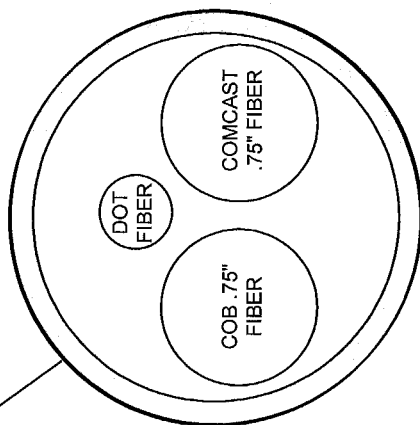
NEW CITY BUILDING
SERVICE DELIVERY INFRASTRUCTURE

TRAFFIC CONTROL AND FLOW MONITORING CAMERA CABLES

DRAFT
NOT FOR
CONSTRUCTION

Client	CITY OF BELLEVUE	comgroup
Project	Red Building	116th St
Design	116th St	116th St
Draw No.	116th St	116th St
Drawn	116th St	116th St
Checked	116th St	116th St
Contract	116th St	116th St

3-184



PROPOSED CONDUIT FILL

- (1) MAXCELL 3 CELL INNERSLEEVE
(1) COB 0.75" COMPOSITE FIBER CABLE
(1) 0.75" COMCAST FIBER CABLE
(1) WSDOT 0.4" FIBER CABLE (EAST SIDE ONLY)

OSP FIBER CABLE SIZES

BECAUSE OF THE WAY FIBER CABLES ARE MADE, TYPICAL THE LARGEST OSP FIBER IS .5" OD. CABLES UP TO ABOUT 900 SINGLE MODE FIBERS FIT INTO THIS .85" OD PACKAGE. A 144 OR SIMILAR SIZE IS TYPICALLY ABOUT .75".

ALTOS® All-Dielectric Cables

Corning Cable Systems

Specifications

Project no.	Survey date (DD-MM-YY)	Population of Project area (No.)
	Survey date (DD-MM-YY)	Population of Project area (No.)
Maximum recorded catch	Survey date (DD-MM-YY)	Population of Project area (No.)
Apparent and Usings	Survey date (DD-MM-YY)	Population of Project area (No.)
Communications	Survey date (DD-MM-YY)	Population of Project area (No.)
Design and Use (Ques)	Survey date (DD-MM-YY)	Population of Project area (No.)

Transmission Performance

[illegible]

Ordering Information

[illegible]

Select fiber count.

3. Select fiber type.

A = 0.00014 mm
C = 0.0012 mm
F = 0.0015 mm

5 Select performance option code.

Figure 1. The effect of the concentration of the Ca^{2+} solution on the Ca^{2+} concentration in the Ca^{2+} solution.

THE UNIVERSITY OF CHICAGO PRESS



PROVIDED BY COMGROUP, INC.
ROD RODUIN
517/04

PROPOSED COMCAST CABLE TV FRANCHISE
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Exhibit B

Memorandum of Understanding
Pertaining to the Application of
Cable Franchise Fees to Certain Tax Obligations

This Memorandum of Understanding (the "MOU") is made and is effective as of _____ day of _____, 2004 (the Effective Date) between the City of Bellevue (the "City") and Comcast of Bellevue, Inc ("Comcast").

WHEREAS, the 1994 cable TV franchise (Resolution No. 5084) between the City and Comcast (formerly Viacom Cable) expires on July 29, 2004; and

WHEREAS, the aforementioned cable TV franchise contains provisions (Section 6.03) that address the application of cable franchise fees to certain tax obligations; and

WHEREAS, both the City and Comcast desire to move forward with the approval and acceptance of a renewed Franchise agreement while the City, through its biennial budget process, considers the application of cable Franchise Fees to certain tax obligations;

NOW, THEREFORE, IT IS AGREED as follows:

1. Section 6.03 of the cable TV franchise (Resolution No. 5084) reads:

6.03 APPLICATION OF FRANCHISE FEE TO CERTAIN TAX OBLIGATIONS.

This Franchise is not intended to diminish or limit the City's power to tax Grantee or any other entity, provided, however, that the City and Grantee do not intend to make Grantee subject to duplicate payment obligations resulting from the imposition of both a tax on gross income and a franchise fee or Capital Contribution. Accordingly, the franchise fee payment and Capital Contribution for any given year shall apply to the Grantee's tax obligation amount for that year under the City's utility occupation tax (or similar tax on gross income) to the extent that said franchise fee payments and Capital Contributions derive from activities that would otherwise be subject to said tax in that year.

2. The City and Comcast mutually agree that Section 6.03 of the cable TV franchise (Resolution No. 5084), as presented above, shall remain in force and be in effect until the termination of this MOU on December 31, 2004 and that both parties shall abide by and comply with the terms and conditions of Section 6.03 as they have in the past.

3. Upon the termination of this MOU, Comcast agrees to abide by and comply with the requirements of the City tax code with respect to the application of cable franchise fees to certain tax obligations and any and all tax obligations that Comcast might have under the City tax code.

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4. Nothing in this MOU is intended to nor shall it be interpreted so as to limit or to restrict the City's ability to impose and collect any lawful tax or franchise fee or to in any way impair, reduce or circumscribe the City's general taxing or franchise authority in any way, except as expressly provided in this MOU with respect to the application of cable franchise fees to certain tax obligations under Section 6.03, as presented above, for the limited term of this agreement.

5. This MOU contains the entire agreement between the parties with respect to the application of cable Franchise Fees to certain tax obligations. This Agreement may not be enlarged, modified or altered except in writing signed by the parties. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the City of Bellevue and Comcast have caused this Memorandum of Understanding to be duly executed and effective as of the date first set forth above.

City of Bellevue

Comcast of Bellevue, Inc

By: _____
Its: _____

By: _____
Its: _____

Approved as to form:

Deputy City Attorney

Agenda



CITY COUNCIL REGIONAL ISSUES COMMITTEE

Page No.

June 28, 2004
6:00 p.m.
Council Conference Room

- 1) Call to Order
- 2) Approval of Agenda
- 3) Discussion / Action Items
 - (a) Human Services Update/Interest Statement
 - (b) Watershed Planning and ESA Update
- 4) Legislative Status Report
 - (a) Sales Tax Sourcing Change as part of the Streamlined Sales Tax Effort
 - (b) Report of AWC Conference
 - (c) Federal Legislative Update
- 5) Information Items
 - (a) Written Updates
 - I-90 MOA Update
 - (b) Verbal Reports: Regional/Government Agencies (as appropriate):
 - Eastside Transportation Program
 - Growth Management Planning Council
 - Human Services Roundtable
 - Metropolitan King County Council
 - Puget Sound Regional Council
 - Regional Transit Authority
 - Suburban Cities Association
 - (c) Monthly Background Briefing Paper(s):
 - Growth Management Planning Council (GMPC)
 - Metropolitan King County Regional Committees (RPC, RWQC, RTC)
 - Puget Sound Regional Council (PSRC)
 - Sound Transit
 - Growth Management Planning Council (GMPC)